Bookkeeping

FOR

Joint Stock Companies

~~Carr Hawkins, David~~

BOOKKEEPING

FOR

Joint Stock Companies

A Text-Book for the Use of Accountants, Bookkeepers, Business Men, and Advanced Accountancy Students.

BY

DAVID HOSKINS, C.A.

Principal of the British American Business College, Toronto, and Vice-President of the Institute of Chartered Accountants of Ontario

TORONTO:

WARWICK BRO'S & RUTTER

1901

WARWICK BRO'S & RUTTER Ltd
TORONTO

PREFACE.

FOR some years past, the writer, in conjunction with his duties as Principal of the British American Business College of Toronto, has given special attention to the preparation of candidates for the Intermediate and Final examinations of the Institute of Chartered Accountants of Ontario. While carrying on this work, and also that of the College class-room, he has constantly felt the need of a well arranged text-book dealing thoroughly and practically with the distinctive accounts of Joint Stock Companies. Hence the present volume.

For prospective candidates at the aforesaid examinations, and for advanced classes in all institutions in which the study of accountancy is a specialty, it is believed that this book will be found to be peculiarly well-adapted. Its value to the bookkeeper or company secretary is evidenced by the appended letter from Mr. Wilton C. Eddis, F.C.A., the well-known Toronto accountant and President of the Ontario Institute of Chartered Accountants, to whom the writer is indebted for many valuable suggestions in the preparation of this work.

DAVID HOSKINS.

TORONTO, October 15th, 1901.

LETTER FROM MR. WILTON C. EDDIS, F.C.A.,

PRESIDENT OF THE INSTITUTE OF CHARTERED ACCOUNTANTS OF ONTARIO.

TORONTO, Oct. 7, 1901.

DAVID HOSKINS, Esq., C.A.,
British American Business College, Toronto.

DEAR MR. HOSKINS:

It is with a great deal of interest that I have perused your "Bookkeeping for Joint Stock Companies" and I am pleased to see such a valuable addition to Accountancy literature. This book will not only be a first-class text-book for Students but will be extremely useful for Bookkeepers and Secretaries of Companies, as the bookkeeping and forms illustrated therein are thoroughly practical and worked out from the Accountant's standpoint.

Yours very truly,

(Sgd.) WILTON C. EDDIS.

CONTENTS.

CONTENTS.

CHAPTER I.

JOINT STOCK COMPANIES.

JOINT STOCK COMPANIES - SHARES AND SHAREHOLDERS — THE CHARTER - CAPITAL STOCK — LIABILITY OF SHAREHOLDERS — ADVANTAGES OF JOINT STOCK COMPANIES - INCORPORATION OF COMPANIES UNDER THE ONTARIO COMPANIES ACT - PETITION FOR ONTARIO CHARTER - FEES FOR LETTERS PATENT UNDER THE ONTARIO COMPANIES ACT INCORPORATION OF COMPANIES UNDER THE DOMINION ACT — PUBLIC NOTICE REQUIRED BY DOMINION ACT PETITION FOR DOMINION CHARTER DEPOSIT WITH RECEIVER-GENERAL — PROOF REQUIRED BY DOMINION ACT — FEES FOR LETTERS PATENT UNDER THE DOMINION ACT.

Joint Stock Companies.—A Joint Stock Company is an organization similar to a partnership, which has been authorized to carry on business under special conditions contained in a charter issued to it under the authority of either the Dominion Parliament or the Legislature of one of the Provinces. Companies, formed for ordinary business operations, and conducted chiefly within the Province of Ontario, are usually incorporated under what is known as "The Ontario Companies Act." When it is intended to carry on business in different provinces the company is generally incorporated under the act of the Dominion Parliament called "The Companies Act." Companies formed for the purpose of carrying on a banking, insurance or railroad business must be incorporated by a special act of Parliament framed to suit their own requirements.

Shares and Shareholders. A share in a Joint Stock Company is one of the equal parts into which the capital of the company is divided as set forth in its Letters Patent. A person subscribing for or purchasing one or more of these shares is called a shareholder and is entitled to participate in the profits of the company. He can usually sell his shares at any time without consulting his fellow-shareholders and has certain privileges and responsibilities which differ materially from those of a member of a partnership. The original subscribers to the stock of a com-

pany sign what is commonly known as the Subscription Book. This book, called in the Act, the Memorandum of Agreement and Stock Book, is headed with a general statement signifying that the persons, whose names are attached to it, agree to take the number of shares of the stock placed opposite their names, and to pay for the same as called upon to do so by the directors In organizing a larg company, the shares of which are to be placed before the public for wide-spread subscription, it is customary for intending subscribers to make formal written application to the persons "floating" the company for a certain number of shares. At a meeting of the provisional directors, held for the purpose, the shares are allotted to such of the applicants as they may consider most desirable to have as shareholders in the Company.

The Charter.—The Charter or Letters Patent of Incorporation is the document which gives official recognition to a company as a body corporate, and confers upon its members the right to do business as a Joint Stock Company. Charters issued under the Ontario Companies Act are signed by the Provincial Secretary and announced in the "*Ontario Gazette*"; those issued under the Dominion Act are signed by the Secretary of State and announced in the "*Canada Gazette.*"

Capital Stock. (*a*) AUTHORIZED CAPITAL.—The aggregate amount of stock which a company is authorized by its charter to issue is known as its Authorized Capital. This consists of a certain number of shares each having a fixed par value of \$100, \$50, \$25, \$10, \$1, or any other amount which the original subscribers may have asked for in petitioning for incorporation. Shares of small amounts are seldom used except in companies of a highly speculative nature, such as those formed for mining, experimental or explorative purposes.

(*b*) SUBSCRIBED CAPITAL.—The Subscribed Capital, as its name implies, is that portion of the authorized capital which has been subscribed for. A Company seeking incorporation under the Dominion Act must have at least one-half of its Authorized Capital subscribed for before a charter is issued, while under the Ontario Act no definite proportion is specified, although ten per cent. is usually insisted upon.

(*c*) PAID UP CAPITAL.—Companies working under the Ontario Act must call from their shareholders at least ten per cent. of their sub-

scribed capital within one year from the date of incorporation ; those seeking incorporation under the Dominion Act must pay in ten per cent. of their subscribed capital before a charter will be granted.

Liability of Shareholders.—Persons subscribing for shares in a Joint Stock Company must pay the face value of the stock they have agreed to take whenever called upon to do so by the directors. Frequently shares are paid for in instalments, the official request for same being technically known as a Call. No shareholder can be forced to pay Calls amounting to m e than 100 per cent. of the face value of the stock he holds. This is one of the most important features of Joint Stock Companies as compared with partnerships. In a business carried on as a Joint Stock Company a member cannot lose more than the face value of the stock held by him, whereas in a partnership he is liable for all he may be worth in order to satisfy the claims of the creditors. The fact that a man has but a small interest in a partnership does not lessen his liability to the creditors of the concern, whereas in a Joint Stock Company his liability is limited to the par value of the stock he holds. A notable exception to this rule is that of shareholders in banks, who may be held liable to the extent of double the amount of the par value of the shares.

Advantages of Joint Stock Companies.—Among the many advantages to be derived from conducting a business as a Joint Stock Company instead of a partnership may be enumerated the following :

(*a*) In case the business turns out to be unprofitable and becomes insolvent each partner would be personally responsible to creditors for the total liabilities no matter how small an interest in the concern he might hold, whereas as a shareholder in a Joint Stock Company he could only be called upon to pay the unpaid balance of the shares held by him. Thus, as a partner, he might lose all he was worth, while as a shareholder he could only lose what he paid for his shares together with the amount required to pay them up in full.

(*b*) It is much easier to obtain capital to carry on business on a large scale when the Company is on a Joint Stock basis. Not only is the possible loss to shareholders reduced to a minimum, but, unless the stock is already fully taken up, new subscribers may be obtained at any

time and extra capital thus brought into the concern without making it necessary to form a new company, whereas the admission of a new member to a partnership concern would necessitate the drawing of a new partnership agreement.

(c) As a partner one cannot withdraw from a firm without the consent of the other partners, except at the termination of the period mentioned in the Agreement, but as a shareholder in a Joint Stock Company he is at liberty to sell his shares at any time to any person as long as the Calls have been fully paid up. When the Calls have not been fully paid up, the consent of the directors is necessary.

(d) The death of a partner dissolves a partnership and necessitates a settlement with the executors of the estate in regard to the interest of the deceased, but as a shareholder his death would have no effect upon the corporate existence of the Company at all, but his shares would become the property of his heirs and be retained by them until such time as they chose to dispose of them.

(e) The failure of a firm running as a Joint Stock Company does not reflect upon the financial standing of its individual shareholders to the same extent as it would were the business conducted as a partnership.

(f) In a Joint Stock Company a shareholder has personally no voice in the direction of its affairs except at meetings of shareholders, where he has one vote for every share he holds, his controlling power thus corresponding exactly to his financial interest in the business. In a partnership those owning only a small proportion of the net assets have powers and responsibilities practically the same as partners whose vested interests are very much greater; this in many cases has been found to be extremely undesirable.

Incorporation of Companies under the Ontario Companies Act.

1. There must be at least five petitioners for the Letters Patent.

2. There must be a formal petition, duly executed.

3. There must be a Memorandum of Agreement and Stock Book, duly executed in duplicate.

4. Special conditions, if any, intended to have a bearing upon the stock of the Company, or the manner in which it, or any portion of it,

shall or may be subscribed for, must be inserted in the Petition and in the Memorandum of Agreement and Stock Book as material parts thereof.

Petition for Ontario Charter.—The Petition, which may be put in at any time without Gazette Notice, must state :

(*a*) The name, residence and occupation of each applicant in full, else it will be returned for completion

(*b*) The proposed corporate name of the Company, which must be free from objection.

(*c*) The object of the Company briefly expressed in general terms, as, for example : "To manufacture and sell furniture." Incidental powers must be left to the Act.

(*d*) The place at, or from, which the undertaking of the Company is to be carried on.

(*e*) The place in Ontario where the head-office of the Company is to be situated, and where its principal books of account and its corporation records are to be kept, and to which all communications and notices may be addressed.

(*f*) The capital of the Company, divided into shares ;

(*g*) The names of the Provisional Directors of the Company, who must be, at least, three in number and who must be stock-holders, and

(*h*) The amount of stock for which each applicant has subscribed in the Memorandum of Agreement and Stock Book.

(*i*) The petition must further show :

That no public or private interest will be prejudicially affected by the grant of incorporation, if such be the fact, and that at least ten per centum of the nominal capital of the Company has been subscribed ;

(*j*) Signatures should be witnessed and proved by persons who are not petitioners, or directly interested in the formation of the Company ;

(*k*) Signatures must be verified by statutory declaration, or by affidavit ;

(*l*) Signatures by attorney must be made under a specific, not general, Power, duly executed ;

(*m*) At least two signatures must be written on the leaf, or page, which contains the prayer of the Petition.

Fees for Letters Patent under the Ontario Companies Act.—1. No application is considered in advance of the payment of the fee.

2. No cheque will be accepted unless it is marked.

3. Cash not registered is at the risk of the sender.

4. Post Office Orders, Postal Notes, cheques and drafts should be payable to the order of the Provincial Treasurer.

5. The following fees are subject to alteration without notice.

When the proposed capital of the applicant Company is $40,000 or less, the fee is to be $100.

When it is more than $40,000, but does not exceed $100,000, the fee is to be $100 and $1 for every $1,000 or fractional part thereof in excess of $40,000.

When it is over $100,000, but does not exceed $1,000,000, the fee is to be $160 and $2.50 for every $10,000 or fractional part thereof in excess of $100,000.

When it is $1,000,000, the fee is to be $385 and $2.50 for every $10,000 or fractional part thereof in excess of $1,000,000.

When the Charter is for a Cheese or Butter Company, the fee is to be $10.

When the Charter is for an Educational Institution not carried on for the purpose or object of gain, the fee is to be $10.

When the Charter is for a Cemetery Company which is not to be carried on for gain, or which shall undertake to distribute in the improvement of its property any gain derivedby the Company, the fee is to be $10.

When the Charter is for an Athletic Club, composed of Amateurs, having for its object the encouragement and promotion of lawful games and exercises, and such Club is not to be carried on for gain, or shal undertake to distribute in the improvement of its property and facilities as such Club, any gain derived by the Club, the fee is to be $50.

All communications should be addressed to the Honorable the Provincial Secretary, Toronto, Ontario.

Incorporation of Companies under the Dominion Act. The Governor in Council may, by Letters Patent under the Great Seal, grant a Charter to any number of persons, not less than five, who petition therefor, constituting such persons, and others who thereafter become shareholders in the Company thereby created, a body corporate and politic for any of the purposes or objects to which the Legislative authority of the Parliament of Canada extends, except the construction and working of railways or the business of banking and the issue of paper money, or the business of insurance.

Public Notice Required by Dominion Act.—The applicants for such Letters Patent must give at least one calendar month's previous notice in the *Canada Gazette* of their intention to apply for same. All communications having reference to the publication of the notice should be addressed to the King's Printer and Controller of Stationery, Ottawa.

The notice must contain the following particulars:

1. The proposed corporate name of the Company, which must not be that of any other known company, incorporated or unincorporated, or any name liable to be confounded therewith, or otherwise on public grounds objectionable.

2. The purposes within the purview of the Act for which its incorporation is sought.

3. The place within the Dominion of Canada which is to be its chief place of business.

4. The proposed amount of its capital stock, which in case of a Loan Company, shall not be less than one hundred thousand ($100,000) dollars.

5. The number of shares into which the capital is intended to be divided and the amount of each share.

6. The Christian name in full, and the address or residence, and the calling and occupation of each of the applicants, with special mention of not less than three, nor more than fifteen, of their number, who are to

be the first or provisional directors of the company, and the majority of whom must be resident in Canada.

Petition for a Dominion Charter.—At any time not more than one month after the last publication of such notice in the "*Canada Gazette*," the applicants may petition the Governor-General, through the Secretary of State of Canada, for the issue of such letters patent.

(*a*) The persons who petition must be the same persons whose names appear in the "Canada Gazette" and must be shareholders in the proposed company.

(*b*) One half of the proposed capital stock must be subscribed for and ten per cent. in cash paid in thereon by those whose names are set out in the notice in the "*Canada Gazette*" and in the petition, or by some of them. Stock subscribed for by any persons who have not joined in the notice and petition shall not be recognized.

(*c*) The petition must correspond in every particular with the facts set forth in the notice inserted in the "*Canada Gazette*" and should contain the following additional information, that is to say:

The amount of stock taken by each of the petitioners respectively, the amount paid in thereon by each applicant, and how it is held for the company, and whether it was paid in cash, by services, or by the purchase or transfer of property, or how otherwise. This information should be given in the form of the tabulated statement embodied in the specimen petition given on page 29. The Stock Book of the Company need not be produced.

(*d*) The petition must be signed by each of the applicants in person, and in presence of a witness. If, however, this is found impracticable in any case, the applicant may sign by an attorney, but the original Power of Attorney, or a duly authenticated or notarial copy thereof, must be produced. Each signature should be verified by an affidavit or statutory declaration made by the witness thereof.

Deposit with Receiver-General.—The aggregate of the stock taken before receiving a Dominion charter must be at least one-half of the total amount of the stock of the company. The aggregate paid in on the stock taken must, if the company be not a loan company, be at least

ten per cent. thereof; if the company be a loan company the aggregate paid in upon the stock must be at least ten per cent. thereof and must not be less than one hundred thousand dollars.

Such aggregate shall be deposited to the credit of the Receiver-General of Canada, and shall be standing at such credit in some chartered bank in Canada, and the applicants shall, with their petition, produce the deposit receipt for such amount so deposited. This receipt should be accompanied by a draft for the amount so deposited payable to the credit of the Receiver-General.

At any time after the signing of the letters patent incorporating the applicants as a company, the said aggregate, so paid in to the credit of the Receiver-General, may be returned to and for the sole use of the company, or in case of failure to incorporate, to the applicants who have paid in or contributed to the same, under regulations from time to time made by the Governor in Council. These regulations provide that when a charter has been granted or refused the Receiver-General shall, upon the request of, and through the Secretary of State, refund to the company the amount deposited in connection with its application.

In case the object of the company is one requiring that it should own real estate, any portion not exceeding one-half of such aggregate may be taken as paid in, if it be *bona fide* invested in real estate suitable to such object, and such real estate is, by a valid and sufficient registered deed, duly held by two or more trustees for the company, and the applicants shall establish the fact, by oath, affirmation or declaration, that such real estate is of the required value over and above all encumbrances thereon. Evidence must be produced showing the value of the real estate which it is proposed to transfer to the company.

Proof Required by Dominion Act. (*a*). – An Affidavit or Statutory Declaration establishing the sufficiency of the petition and the truth and sufficiency of the facts therein stated, also that the proposed name of the company is not that of any other known incorporated or unincorporated company.

(*b*) An Affidavit or Statutory Declaration proving the publication in the "Canada Gazette" of the notice required by Section 6 of the Act, setting out the dates of the several insertions and having attached to it a copy of such notice.

(c) Affidavits or Statutory Declarations verifying the signatures of the petitioners.

The proof required with reference to the truth and sufficiency of the facts stated in the petition, and with respect to the proposed corporate name may be made by an affidavit or affirmation, or statutory declaration of any of the petitioners or their Attorney or Agent, who should be a resident of the Dominion of Canada.

Fees for Letters Patent under the Dominion Act.—No step shall be taken in any department of the Government towards the issue of any letters patent, until after the amount of the fees therefor shall have been duly paid. The following is the schedule of the fees payable under Section 84 of the Act:

1. When the proposed capital is $1,000,000 or upwards .. $500
2. When the proposed capital stock of the company is $500,000 or upwards and less than $1,000,000...... 300
3. When the proposed capital stock of the company is $200,000 or upwards and less than $500,000 250
4. When the proposed capital stock of the company is $100,000 or upwards and less than $200,000 200
5. When the proposed capital stock of the company is more than $40,000 and less than $100,000 150
6. When the proposed capital stock of the company is $40,000 or less than $40,000 100

All fees must be paid in cash or by an accepted cheque made payable to the order of the Honorable the Secretary of State, Ottawa, Ont., and should be transmitted to him by registered letter.

CHAPTER II.

ORGANIZATION FORMS.

PROSPECTUS PROSPECTUS ISSUED BY WILLIAM A. ROGERS COMPANY, LIMITED—PROSPECTUS ISSUED BY THE NATIONAL PORTLAND CEMENT COMPANY, LIMITED—APPLICATION FOR SHARES—NOTICE OF ALLOTMENT OF SHARES—LETTER OF REGRET—PETITION FOR INCORPORATION UNDER ONTARIO COMPANIES ACT—AFFIDAVIT ATTACHED TO ONTARIO PETITION—AFFIDAVIT VERIFYING SIGNATURES TO PETITION MEMORANDUM OF AGREEMENT AND STOCK BOOK—AFFIDAVIT VERIFYING SIGNATURES TO MEMORANDUM OF AGREEMENT AND STOCK BOOK—CHARTER ISSUED UNDER ONTARIO COMPANIES ACT—PETITION FOR INCORPORATION UNDER THE DOMINION ACT—DECLARATION TO ACCOMPANY PETITION FOR DOMINION CHARTER—DEPOSIT RECEIPT ACCOMPANYING FOREGOING PETITION—DRAFT ON GOVERNMENT ACCOUNT ACCOMPANYING DEPOSIT RECEIPT SPECIMEN OF BY-LAWS.

FORM 1.

Prospectus. - A prospectus is a document in the nature of an advertisement issued by the promoters of a company, calling attention to such features of the company's business as will be most likely to induce investors to purchase some of its stock. It generally states the amount of capital stock, the names of its directors, the scope of its proposed operations, its expected profits, etc. It must not, however, misrepresent these matters as in such a case those responsible for its issue may be held liable for damages to subscribers in the event of the company proving to be unsuccessful. We submit below copies of prospectuses recently issued by two prominent Ontario companies.

Prospectus issued by Wm. A. Rogers, Limited.

WM, A ROGERS, LIMITED.

Incorporated under the Ontario Companies Act.

Share Capital $1,350,000, divided into 13,500 shares of $100 each

Preference Stock, $600,000. Ordinary Stock, $750,000.

Directors:

S. J. Moore, President, Toronto, (General Manager Niagara Falls Silver Co.)
A. E. Ames, Vice-President, Toronto, (of Messrs. A. E. Ames & Co., Bankers).
Robert Kilgour, Toronto, (Vice-President Canadian Bank of Commerce).
Hon. W. Caryl Ely, (President International Traction Co., Buffalo, N.Y.
James L. Morrison, Toronto, (President Niagara Silver Co.)
Hon. Chas. H. Duell, (Commissioner of Patents, Washington, D.C.)
Wm. A. Rogers, General Manager.

Registrar of Stock and Transfer Agent:

The National Trust Company, Limited, Toronto.

Counsel:

Messrs. Blake, Lash & Cassels, Toronto.

Bankers:

The Bank of Hamilton.

Head Office, - - - Toronto, Ontario.

Factories, - - - - Niagara Falls, N. Y., and Bedford, Mass.

PROSPECTUS.

Reference is invited to the following letters giving history and prospects of the business now being united under the name of Wm. A. Rogers, Limited.

President's Letter.

Niagara Falls, N. Y., March 1st, 1901.

Messrs. A. E. Ames & Co., Toronto:

Dear Sirs,—Regarding the issue of Preference Shares of Wm. A. Rogers, Limited, I beg to say:

Wm. A. Rogers, Limited, has been formed for the purpose of acquiring and carrying on the business of manufacturing and selling silver-plated ware heretofore carried on by the Niagara Silver Company, of Niagara Falls, N.Y., and Wm. A. Rogers of New York City, and for the extension of these businesses.

The Niagara Silver Company was started at Niagara Falls, N.Y., in 1893, and has grown steadily since its commencement. In 1900 a branch factory was established at New Bedford, Mass., in order to meet the increasing demand for the Company's goods

The silverware business of Wm. A. Rogers was commenced in 1890, and in 1895 he began to deal in the highest grade silver-plated ware. This branch of his business has grown to such proportions that the Niagara Silver Company, who manufactured a large portion of the goods sold by Wm. A. Rogers, found it necessary for the last three years to furnish him with more than 75 per cent. of their total output. The continued growth of the business makes it necessary still further to increase manufacturing facilities, and it is proposed to add one or two other lines to those already manufactured and increase the buildings and plant for this purpose. These lines have heretofore been purchased by Wm. A. Rogers from other manufacturers. The contemplated arrangement will secure to the new Company the manufacturing profit from these extra lines. It also ensures throughout the whole output the high standard of quality established by the Niagara Silver Company. The relations of the two concerns during the last three years have been of a most intimate character, so much so that their amalgamation is a natural development.

Wm. A. Rogers agrees to become General Manager of the Company, while, having been General Manager of the Niagara Silver Company since its commencement, it has been thought by my fellow Directors that I should become President of Wm. A. Rogers, Limited.

The goods manufactured by the Niagara Silver Company have a recognized standard of excellence, and their sale has grown steadily and rapidly from the commencement of the business.

Of the $800,000 of Preference Stock, $3[illegible]00 have been issued for the purpose of acquiring the property of the silverware department of the Niagara Silver Company, including factory premises, leases, fixtures, plant and machinery, together with goodwill, trade-marks and patents, and also the manufacturing assets of every description; also the stock-in-trade, furniture, fixtures, lease of premises, goodwill, trade-marks, trade names and other assets, but not including book debts or bills or accounts receivable of Wm. A. Rogers, as of March 1st, 1901. A sum approximating $100,000 in cash from proceeds of this issue, together with Common Stock in Wm. A. Rogers, Limited, is necessary to complete this transaction.

The Company will have in manufactured goods, goods in process of manufacture and raw materials on hand upwards of $200,000. It will, also, have upwards of $150,000 of cash available for the further extension of the business.

The Preference Stock is entitled to preferential, cumulative dividends of 7 per cent per annum, accruing from dates of payments on shares, and is preferential as to assets as well as dividends. The Charter of the Company provides that after payment of 7 per cent. in dividends, on the Preference Capital and before payment of any dividend upon the Common Stock, the sum of $15,000 shall be annually transferred to Reserve account on the books of the Company (to be used in the business of the Company) and such annual transfers shall continue until the amount reaches $150,000, at which sum it is to be maintained, and if it is at any time drawn upon, it is in like manner to be restored and maintained.

Yours truly,

S. J. MOORE, President

Accounts.

Toronto, Feb. 28, 1901.

Messrs. A. E. Ames & Co., Toronto :

Dear Sirs,—We have examined the books and accounts of Wm. A. Rogers, of New York, and Niagara Silver Co., of Niagara Falls, N. Y., for a period of three years from January 1st, 1898, to January 1st, 1901, and hereby certify that after charging against the profits all operating expenses, etc., we find the annual profits have been as follows :

Year 1898	$35,113 03
Year 1899	58,928 67
Year 1900	79,352 20

Yours truly,

CLARKSON & CROSS,
Chartered Accountants.

General Manager's Letter.

12 Warren St., New York, Feb. 26th, 1901.

Messrs. A. E. Ames & Co., Toronto :

Dear Sirs :—The business now carried on by me was commenced in 189[illegible] but in 1895 I began the sale of high grade silver plated ware, and since that time have devoted myself almost exclusively to the sale of that quality of goods, with the result that my business has grown to large proportions. Among my regular customers are the following :

R. H. Macy & Co., Bloomingdale Bros., J. A. Hearn & Sons, New York ; Abraham & Strauss, Fred. Losier & Co., J. H. Bauland & Co., Brooklyn ; Otto Young & Co., Marshall Field & Co., Montgomery Ward & Co., Benjamin All & Co., Chicago ; R. H. White & Co., Jordan, Marsh & Co., Houghton & Dutton, Boston ; H. O. Meldrum & Co., J. N. Adam & Co., Adam, Meldrum & Anderson Co., Irish & English, Buffalo ; Fletcher Hardware Co., Hunter & Hunter, Detroit ; Daniels & Fisher, Denver, Col. ; Mabley & Carew, Adams & Doepke Co., Cincinnati, O. : Bernheimer Bros., Baltimore, Md. ; Supples Hardware Co., Biddle Hardware Co., C. W. Young & Son., Lit Bros., Marks Bros., Gimbel Bros., Philadelphia, Pa

With increased facilities I could have added largely to the volume and net profits of my business during the last three years.

The increased facilities which the $150,000 of new working capital will furnish, will, it is expected, enable the Company within two years to increase its gross business more than 50 per cent. The increase in net profits should, at least, correspond with this. The net profits of last year having been $79,352.20, the increased business thus provided for should rapidly bring the net earnings of the Company up to three times the amount necessary to pay dividends on the Preference shares.

Yours truly,

WM. A. ROGERS.

Application will be made in due course to have the stock of the Company listed upon the Toronto Stock Exchange.

Subscription books will be opened at our offices on Monday, the 25th day of March, at 10 o'clock and close the same day at 4 p. m. The Directors reserve the right to allot only such subscriptions and for such amounts as they may approve.

2,900 shares of $100 each, at par - - - $290,000.

Payable, 25 per cent. on allotment, 25 per cent. on May 15th, 25 per cent. on July 15th, and 25 per cent. on September 16th, with privilege of making payment of any or all instalments on any date.

Subscription forms may be had on application.

A. E. AMES & CO.

18 King St., East, - - - Toronto.

Prospectus issued by The National Portland Cement Co., Limited.

(This prospectus was issued in the form of a booklet of fifty pages, beautifully illustrated throughout and giving in detail full information on every point of interest to prospective investors. We are unable to reproduce it in full but its leading features a › presented in the following summary.)

THE NATIONAL PORTLAND CEMENT CO., LIMITED.

Incorporated by Letters Patent under the Great Seal of the Province of Ontario.

Capital Stock.... ....$1,000,000.

In 10,000 shares of $100.00 each.

Directors:

W. H. Cowham, Managing Director Peninsular Portland Cement Co., Jackson, Mich.
Gilbert McKechnie, ex-M.P.P., Merchant, Durham, Ont.
P. W. Stanhope, Ontario Manager McCormick Harvesting Machine Co., Toronto, Ont.
A. F. MacLaren, M.P., Stratford, Ont., President A. F. MacLaren Imperial Cheese Co., Limited, Toronto, Ont.
Barlow Cumberland, Vice-President Niagara Navigation Co., Toronto, Ont.

Bankers:

The Standard Bank of Canada, Toronto.

Auditor:

Jas. P. Langley, Chartered Accountant, Toronto.

Solicitors:

Blake, Lash & Cassels. - - Pinkerton & Cook.

General Offices..... .... Toronto, Ont.
Works,................................ ....Durham, Ont.

The objects of the National Portland Cement Co., Limited, as expressed by the Letters Patent, are to manufacture, buy, sell and otherwise deal in Portland Cement, to own, purchase, or lease marl or cement properties, with their products, and such other things as may be [illegible]cessary or convenient to its business.

The properties intended to be utilized by the Company consist of about eight hundred acres of marl and clay lands in the vicinity of Durham, Ont., a great deal of which is advantageously located about two hundred feet above the level of the factory site, which renders it practicable to transport the material by means of the compressed air system, or otherwise, to the factory cheaply and conveniently, and numerous analyses show the deposit to be of exceptional value and purity of quality, and fully equal if not superior, to any known property in the world.

The mill site of Durham has a central location, as regards the largest markets, has first-class shipping facilities, and special advantages for transportation of the product to all parts of the country have already been secured from the transportation companies.

The quality and quantity of the materials in our property at Durham have been thoroughly examined and tested (hundreds of borings and analyses having been made) by the most eminent chemists in the country, especially fitted for this work; engineers have examined the splendid water-powers, and the Company's expert has carefully examined everything in detail, and all report it to be a deposit of superior quality and perfectly adapted as to location for the business to be conducted successfully and profitably.

The supply of cement in Canada does not, by any means, approach the demand, much less the increasing demand, and as the industry is steadily winning its way forward in Canada as in other countries, there is yet considerable room for the expansion in the industry at home, and its future in this country seems very promising indeed. The imports of Portland Cement in 1900 were about 400,000 barrels, the domestic production 300,000 barrels, and total consumption over 700,000 barrels. The total consumption of Portland Cement in Canada in 1900 exceeded that in 1899 by about 150,000 barrels. During the latter part of the year a veritable cement famine prevailed, and many important engineering works were delayed or suspended for lack of cement:

in consequence, the actual amount consumed was considerably less than that required by the country. The same condition seems to have existed throughout the world, and is due to the multitude of new applications Portland Cement is constantly finding and its rapidly increasing use in the place of brick and stone in construction of all kinds.

Chemist's Report.

Jackson, Mich., March 20th, 1901.

National Portland Cement Company, Limited,
Toronto, Ont.

Gentlemen :—A thorough inspection of the property owned by the National Portland Cement Co., has been made, and over one hundred samples of the marl have been taken at regular intervals at different depths which have been subject to chemical and physical examinations at this laboratory, and I herewith make my final report on the same

1. The marl was found to be covered with water so shallow that it can be dredged without any difficulty.

2. There is but very little organic sediment overlying the marl so that it would be unnecessary to do any stripping before dredging for use at the factory.

3. The marl is found in a very finely divided condition, which is an admirable feature, since it will require but little grinding preliminary to calcination and therefore cheapen cost of manufacture.

4. The marl is of the finest quality, no better material having been analyzed at the laboratory. The chemical analysis which I include in this report shows it to be of excellent purity, being very high in carbonate of lime and low in magnesia, sulphuric anhydride, and contains no sand whatever.

5. The marl when mixed with the proper amount of clay will, on calcination, produce the finest grade of Portland Cement.

The average percentage composition of the marl is as follows :—

Sand	None
Silica (SI O2)	0.40
Alumina (AL2 O3)	....
Iron Oxide (Fe2 O3)	0.70
Carbonate of Lime (Ca CO3)	98.05
Magnesia (Mg O)	.83
Sulphuric Anhydride (S O3)	Trace
	99.98

I therefore conclude that your marls and clays possess all the essential good qualities, and none of the poor ones, for the manufacture of the highest grade of Portland Cement.

Yours very truly,

(Signed) JOHN GODFREY DEAN,

Chemist.

With our indestructible natural resources, perfect economical powers, plant of the very best possible mechanical equipment, ready means of transportation, competent management, ideal location, a staple article and an ever-growing unsupplied market, the National Portland Cement Company is commanding the attention of the thoughtful, conservative business man and investor.

There is to-day no line of investment that promises more certain or more permanent return on capital invested, not one where the absence of speculative features is more marked than in connection with the production of Portland Cement.

The people of Durham have furnished a free mill site, have insured the Company exemption from taxation (except school tax), for a period of ten years, and have subscribed for upwards of $100,000 of the capital stock of the Company. $250,000 of the capital stock has been taken by the Directors and others interested in the Company, and considerable other amounts have been subscribed for throughout the Province of Ontario. The balance of the stock is offered for subscription in the various cement-consuming centres of the Dominion of Canada, so that the Company may be properly represented for business purposes in the territory in which it is desired to establish a permanent market.

Address all communications to

THE NATIONAL PORTLAND CEMENT CO., LIMITED,
Rooms 4 and 5 Janes Building,
Cor. King and Yonge Streets, Toronto.

FORM 2.

Application for Shares.—The prospectus of a Joint Stock Company is usually accompanied by an application blank to be filled out, signed and returned by those desiring to subscribe for shares. It frequently takes the form of a letter addressed to the Company in which the applicant asks that a certain number of shares be allotted to him, but more recently the practice has been to use a form in which the applicant subscribes for, and agrees to take, a certain number of shares, or such less number as the directors of the Company may see fit to allot. An example of each is here given (The original subscribers, of course, sign the subscription book as described hereinafter).

(*a*) 34 King St. West,
TORONTO, Dec. 30, 1901.

To the Directors of
THE TORONTO PAPER BOX CO., LTD.,
536 King St. West Toronto.

Gentlemen :

I beg to make application for Eighteen shares of stock in the above Company, and enclose herewith a marked check for One Hundred and Eighty Dollars, being ten per

cent. of the amount of said shares, the balance to be paid when called by the directors.

Yours truly,

SAMUEL SMITH.

(b)

WM. A. ROGERS, LIMITED.

Under The Ontario Companies Act,

Capital, $1,350,000,

Divided into 13,500 shares of $100 each, as follows:

Preference Stock	$600,000.
Ordinary Stock	$750,000.

The undersigned hereby subscribes for and agrees to take the number of Shares of Preference Stock of Wm A. Rogers, Limited, set opposite the signature of the undersigned hereto, or such less number as the Board of Directors of the said Company may allot under this subscription, and the undersigned agrees to pay the said Company in accordance with the terms of the Prospectus, the amount payable on such shares as may be so allotted.

Dated at ....the.......... .....day of March, 1901.

No. of Shares.......... ....Signature (in full) ....

Amount $..... .... Address ....

FORM 3.

Notice of Allotment of Shares.—It is entirely optional with the Directors of the Company to allot or refuse the shares applied for. Quite frequently applications are received for a much larger number of shares in the aggregate than the Company intends to issue; in such cases the directors allot the shares as they may see fit. Notices of allotment are sent to the successful applicants in a form similar to the one given below; at the same time letters of regret are sent to those whose applications have been refused.

TORONTO, Ont., Oct. 1, 1901.

WM. BROOKS, Esq.,
Sarnia, Ont.

Dear Sir:

We beg to inform you that, in pursuance of your application, the directors of the Toronto Paper Box Co., Limited, have allotted to you thirty shares of $100 each in the Capital Stock of the Company.

Yours truly,

C. R. McCULLOUGH,
Secretary.

FORM 4.

Letter of Regret.

Toronto, Ont., Oct. 1, 1901.

A. W. Young, Esq.,
Berlin, Ont.

Dear Sir:

We regret to inform you that the directors are unable to allot you shares in the stock of the Toronto Paper Box Co., Limited, as requested in your application of the 20th ult. We enclose herewith check for $250 in full of deposit made by you with aforesaid application.

Yours truly,

C. R. McCULLOUGH,
Secretary.

FORM 5.

Petition for Incorporation under the Ontario Companies Act.

To His Honor

The Lieutenant-Governor of the Province of Ontario-in-Council.

The Petition of..........(here write legibly and in full the names, residences and occupations of the petitioners.)

Humbly Sheweth :—

1. **That** Your Petitioners are desirous of obtaining by Letters Patent, under the Great Seal, a Charter under the provisions of **The Ontario Companies Act**, constituting Your Petitioners and such others as may become shareholders in the Company thereby created, a body corporate and politic under the name of **The** ...., **Limited**, or such other name as shall appear to Your Honor to be proper in the premises.

2. **That** Your Petitioners have satisfied themselves and are assured that the corporate name under which incorporation is sought is **not** on any public ground **objectionable**, and that it is not that of any known Company, incorporated or unincorporated, or of any partnership, or individual, or any name under which any known business is being carried on, or so nearly resembling the same as to deceive.

3. **That** Your Petitioners have satisfied themselves and are assured that no public or private interest will be prejudicially affected by the incorporation of Your Petitioners as aforesaid.

4. **That** Your Petitioners are of the full age of twenty-one years.

5. **That** the **object** for which incorporation as aforesaid is sought by Your Petitioners is to .... (state object in general terms; incidental powers are given by statute.)

6. **That** the **undertaking** of the Company will be carried on at (or from) .... which is or are within the Province of Ontario, and that its Post Office will be ....

7. **That** the **Head Office** of the Company will be at ....

8. **That** the amount of the **Capital Stock** of the Company is to be .... Dollars.

9. **That** the said stock is to be divided into .... **Shares** of ....dollars each.

10 **That** the said...................(The Directors, who must be at least three in number, must be petitioners and shareholders. Each Director must hold stock absolutely in his own right.) are to be the **Provisional Directors** of the Company.

11. **That** by subscribing therefor in a **Memorandum of Agreement and Stock-Book** duly executed, in duplicate, with a view to the incorporation of the Company, Your Petitioners have taken the following amounts of stock set opposite their names :--

PETITIONERS.	Amount of stock subscribed for.
....	*set out* .... DOLLARS.
....	*each amount* .... DOLLARS.
....	*in words* .... DOLLARS.
....	*not in* .... DOLLARS.
....	*figures* .... DOLLARS.
*	

* NOTE.—If any payment, in cash or otherwise, has actually been made by any petitioner on his stock, particulars thereof may be set out here.

Your Petitioners therefore pray that Your Honour may be pleased by Letters Patent under the Great Seal to grant a Charter to your Petitioners constituting Your Petitioners and such others as have or may become Subscribers in the Memorandum of Agreement and Stock-Book of the Company thereby created, a body corporate and politic for the due carrying out of the undertaking aforesaid.

And Your Petitioners, as in duty bound, will ever pray.

Witnesses must sign here, and in their own [illegible] affidavits must identify each signature in the form in which it was made.

(WITNESSES.)	(PETITIONERS.)
....	....
....	....
....	....
....	....
....	....
....	....
....	....

Petitioners will u[illegible] their ordinary signatures, and see that their names etc. in the preamble are correctly stated in full.

☞ N. B.—Each signature must be verified by affidavit, to be made by the witness thereto. Signatures by Attorney must be made under a *specific*, not general, power, duly executed, which power must accompany this application.

This rule also applies to the Memorandum of Agreement and Stock-Book, but with the addition that the amount of stock which is to be taken by the Attorney for his principal must be stated.

Dated at..............this............day of 190

FORM 6.

Affidavit Attached to Ontario Petition.

AFFIDAVIT.

Province of Ontario, County of .... To Wit :	**In the matter of** the herein application for the incorporation by the grant of Letters Patent of

The.............. .... **Limited.**

I, ... of the ... .of......... ....
in the County of ....Esquire, make oath and say :—

1. **That** I am one of the applicants herein.

2. That I have a knowledge of the matter, and that the allegations in the within Petition contained are, to the best of my knowledge and belief, true in substance and in fact.

3. That I am informed and believe that each Petitioner is of the full age of twenty-one years.

4. That the proposed corporate name of the Company is not on any public ground objectionable, and that it is not that of any known Company, incorporated or unincorporated, or of any partnership or individual, or any name under which any known business is being carried on, or so nearly resembling the same as to deceive.

5. That I am satisfied myself and am assured that no public or private interest will be prejudicially affected by the incorporation of the Company as aforesaid.

Sworn before me at the .... of........... in the County of .... this .... day of .... A.D. 190 .	.... (Signature of Deponent.)

(Sig.)...........................

A Justice of the Peace, or a Commissioner for taking affidavits, etc., (or as the case may be).

FORM 7.

Affidavit Verifying Signatures to Petition.

Province of Ontario, County of York, To Wit:	In the matter of the application, under the Ontario Companies Act, of David Hoskins and others for Incorporation as the Federated Business Colleges of Ontario, Limited.

I, Chas. E. Lailey, of the City of Toronto, in the County of York, Chartered Accountant, make oath and say:

1. That I was personally present and did see David Hoskins, Charles R. McCullough, James W. Westervelt, William Brooks and

Samuel T. Willis, five of the applicants for incorporation by Letters Patent of the Federated Business Colleges of Ontario, Limited, sign the petition hereunto annexed, and marked Exhibit "A" to this, my affidavit.

2. That I know the said parties.

3. That the signatures "D. Hoskins," "C. R. McCullough," "J. W. Westervelt," "W. Brooks," and "S. T. Willis," are the true signatures of the said parties.

4. That the signatures "Chas. E. Lailey," attesting the signatures hereinbefore mentioned, are the true signatures of me, this deponent.

Sworn before me at the City of Toronto, in the County of York, this twenty-fifth day of June, A.D. 1901.

CHAS. E. LAILEY.

R. C. Clute,
A Commissioner in and for the County of York.

FORM 8.

Memorandum of Agreement and Stock-Book.

The Memorandum of Agreement and Stock-Book, as per the following statutory form must be **in duplicate.**

WE, THE UNDERSIGNED, do hereby severally COVENANT and AGREE each with the other to become incorporated as a Company under the provisions of *The Ontario Companies Act** under the name of THE LIMITED, or such other name as the Lieutenant-Governor-in-Council may give to the Company, with a capital of dollars, divided into shares of .... dollars each.

AND WE DO HEREBY severally, and not one for the other, SUBSCRIBE for and AGREE to take the respective amounts of the capital stock of the said Company set opposite our respective names as hereunder and hereafter written, and to become shareholders in such Company to the said amounts.† IN WITNESS whereof we have signed.

SIGNATURES OF SUBSCRIBERS.	SEALS.	AMOUNTS OF SUB-SCRIPTION.	DATES AND PLACES OF SUBSCRIPTION.		RESIDENCES OF SUBSCRIBERS.	SIGNATURES OF WITNESSES.
			Dates.	Places.		
‡(At least TWO SIGNATURES must appear on the page or leaf containing the whole, or the latter portion, of the agreement to take stock.)						§

*The name of any other Act, if any, may be inserted here. †If the subscriptions for stock are to be subject to any conditions, such, for instance, as usually attend upon the creation and holding of Preference Stock, the conditions should be set out here. ‡If a signature is by Power of Attorney, the Power must be specific, both as to purpose and as to the amount to be subscribed by the attorney, and must be fyled with that duplicate original Stock-Book which is to be retained by the Provincial Secretary. §Witnesses must, by affidavit, prove *each* signature (preferably in the form in which it is made) in both of the duplicates.

☛ Both of the duplicate-originals must be produced with the application.

FORM 9.

Affidavit verifying Signatures to Memorandum of Agreement and Stock Book.

PROVINCE OF ONTARIO, County of York, To Wit:	In the matter of the application, under The Ontario Companies Act, of David Hoskins and others for incorporation as The Federated Business Colleges of Ontario, Limited.

I, Alexander Blanchard, of the City of Toronto, in the County of York, Chartered Accountant, make oath and say:

1. That I was present and did see David Hoskins, Charles R. McCullough, James W. Westervelt, William Brooks, and Samuel T. Willis, therein named, sign the Memorandum of Agreement and Stock Book of the said proposed company, marked as exhibit "A" to this, my affidavit.

2. That I know the said parties.

3. That the signatures "D. Hoskins," "C. R. McCullough," "J. W. Westervelt," "W. Brooks," "S. T. Willis," are the proper handwriting of the said parties.

4. That the signatures "Alexander Blanchard," attesting the signatures hereinbefore mentioned, are the signatures of me, this deponent.

Sworn before me at the City of Toronto, in the County of York, this twenty-fifth day of June, A.D. 1901.	ALEXANDER BLANCHARD.

R. C. CLUTE,
A Commissioner in and for the County of York.

FORM 10.

Charter issued under Ontario Companies Act.

[SEAL.] O. MOWAT.

CANADA, PROVINCE OF ONTARIO.

Edward the Seventh, by the Grace of God of the United Kingdom of Great Britain and Ireland, **King,** Defender of the Faith, &c., &c., &c.

J. M. GIBSON,
Attorney-General.

To all to whom these Presents shall come

GREETING:

Whereas The Ontario Companies Act provides that with the exceptions therein mentioned, the Lieutenant-Governor of Our Province of Ontario in Council may by Letters Patent under the Great Seal create and constitute bodies corporate and politic for any of the purposes or objects to which the legislative authority of the Legislature of Ontario extends;

And whereas by their Petition in that behalf the persons herein mentioned have prayed for a Charter constituting them a body corporate and politic for the due carrying out of the undertaking hereinafter set forth;

And whereas it has been made to appear to the satisfaction of Our Lieutenant-Governor in Council that the said persons have complied with the conditions precedent to the grant of the desired Charter, and that the said undertaking is within the scope of the said Act;

Now therefore know ye that by and with the advice of the Executive Council of Our Province of Ontario, and under the authority of the hereinbefore in part recited Statute and of any other power or authority whatsoever in Us vested in that behalf

We do by these Our Letters Patent create and constitute the persons hereinbefore named, that is to say, Charles Robert Miller,

of the City of Hamilton, in the County of Wentworth, and Province of Ontario; James Washington Watson and James William Wood, both of the City of London, in the County of Middlesex, and Province aforesaid, and William Burns, of the Town of Galt, in the County of Waterloo, and Province aforesaid; Donald Hamilton, of the City of Toronto, in the County of York, and any others who have become subscribers to the Memorandum of Agreement of the Company and their successors respectively, a Corporation for the purposes and objects following, that is to say: To print and publish books, newspapers and periodicals, and for the said purposes, to acquire the good-will and assets and to carry on the business of the following publishing firms, that is to say:—The Twentieth Century Publishing Company, of the City of Toronto; Watson and Wood, of the City of London; Miller and Gray, of the said City of Hamilton; The Ontario Lumberman, of the said Town of Galt, and any other similar concerns now established or that may hereafter be established, the Corporation Name of the Company to be THE FEDERATED PUBLISHING CO. OF ONTARIO, LIMITED; the Share Capital of the Company to be one hundred thousand dollars, divided into one thousand Shares of one hundred dollars each; the Head Office of the Company to be at the said City of Toronto, and the Provisional Directors of the Company to be Charles Robert Miller, James Washington Watson, Donald Hamilton, William Burns and James William Wood, hereinbefore mentioned;

In testimony whereof, we have caused these, Our Letters Patent, to be issued and the Great Seal of Our Province of Ontario to be hereunto affixed;

Witness: THE HONOURABLE SIR OLIVER MOWAT, Knight Grand Cross of Our Most Distinguished Order of Saint Michael and Saint George, Member of Our Privy Council for Canada and LIEUTENANT-GOVERNOR of our Province of Ontario;

At Our Government House, in Our City of Toronto, in Our said Province, this twenty-fourth day of January, in the year of Our Lord, one thousand nine hundred and one, and in the first year of Our Reign.

By command,

J. R. STRATTON,

Provincial Secretary.

FORM II.

Petition for Incorporation under the Dominion Act.

To His Excellency
THE GOVERNOR-GENERAL IN COUNCIL.

The Petition of

(Here insert names in full, address and calling, or occupation of each of the applicants.)

Humbly Sheweth :—

1. That your petitioners are desirous of obtaining a Charter of Incorporation by Letters Patent under the provisions of "The Companies Act" (Revised Statutes of Canada, Chapter 119) incorporating your petitioners and such others as may become shareholders in the company, thereby created, a body corporate and politic, under the name of "The Company" Limited, which is not the name of any other known company incorporated or unincorporated, or liable to be confounded therewith, or otherwise on public grounds objectionable.

2. That your petitioners have given one month's previous notice of their intention to apply for the said letters patent, by inserting the same in the issues of the *Canada Gazette* of the following dates, 19 , viz:—

3. That the purposes or objects of the said company within the purview of the Act for which incorporation is sought, are :—

4. That the operations of the said company are to be carried on at , and elsewhere throughout the Dominion of Canada.

5. That the chief place of business of the said company is to be at the of in the Province of in the Dominion of Canada aforesaid.

6. That the amount of the capital stock of the said company is to be dollars.

7. That the said stock is to be divided into shares of the value of dollars each.

8. That the said are to be the first or provisional directors of the said company.

9. That your petitioners have taken the amount of stock, and paid in thereon the several amounts thereon set opposite to their respective names as follows :—

Petitioner's name in full.	No. of shares taken.	Amount of stock subscribed for.	Amount paid in on stock subscribed.	How paid.
Total ..				

10. The aggregate of stock so taken amounts to dollars, being one-half of the total amount of the stock of the company, and the aggregate paid in on the stock so taken amounts to dollars, being ten per cent thereof, such aggregate has been paid in to the credit of the Receiver-General and is now standing at such credit in the Bank in the of as appears by the receipts from said bank, which are hereunto annexed.

There has been invested in real estate, suitable to the objects of the company, the sum of dollars. The said real estate consists of and is of the value of at least dollars over and above all insurances thereon, being sufficient with the sum so paid in as aforesaid, to make per cent. of the aggregate of the stock so taken, and is duly held by and as

YOUR PETITIONERS THEREFORE PRAY,

THAT Your Excellency will be pleased to grant a Charter of Incorporation by Letters Patent under the Great Seal, to your petitioners and such others as may become shareholders in the company thereby created, a body corporate and politic, for the purposes and objects aforesaid, under the name of "The Company" (Limited).

AND YOUR PETITIONERS AS IN DUTY BOUND WILL EVER PRAY.

Dated at the of , in the of , this day of , A.D. 19 .

Signed and executed in the presence of

FORM 12.

Declaration to Accompany Petition for Dominion Charter.

Canada,	In the matter of the application of
Province of	and others for letters patent of
County of	incorporation as "The
To Wit:	Company" (Limited).

I, , of the
of , in the County of , and
Province of , do solemnly declare:—

1. That I was personally present and did see sign their respective names to the petition (hereunto annexed) praying for letters patent of incorporation as "The Company" (Limited).

2. That I know the said

3. That the signatures of are of the proper handwriting of the said parties respectively.

4. That the several allegations and statements made and contained in the petition for incorporation of "The Company" (Limited) hereunto annexed are, to the best of my knowledge and belief, true and correct.

5. The proposed corporate name, "The Company" (Limited), is not, as I verily believe, the name of any other known company, incorporated or unincorporated, or liable to be confounded therewith, or otherwise on public grounds objectionable.

6. That I have examined copies of the *Canada Gazette* published on the and in each of the said issues of that publication is inserted the notice of application in this matter similar to that hereto annexed marked

7. That I was personally present, and did see the annexed certificate of deposit duly signed by , who is manager *(agent or cashier)* of the Bank of , at the of , aforesaid.

8. That I know the said

9. That I am the subscribing witness to the said document.

And I make this solemn declaration conscientiously believing it to be true, and knowing that it is of the same force and effect as if made under oath and by virtue of the "Canada Evidence Act, 1893"

Declared before me at the
of , in the
of , this
day of , A.D. 19 .

* Where it is impossible for one person to subscribe as to the facts set out in the several paragraphs of this declaration, it will, of course, be necessary to omit that portion and have it established in a separate declaration by someone possessing the requisite knowledge.

FORM 13.

Deposit Receipt accompanying foregoing Petition.

No.

Bank of

$ *190*

Received from
on account of
the sum of dollars,
which amount will appear at the Receiver-General's credit with this bank.

Signed in triplicate,

Ent'd. *Pro Manager.*

FORM 14.

Draft on Government Account accompanying Deposit Receipt.

No.

Bank of

$ *190*

On demand please place to the credit of the Receiver-General, the sum of

Pro Manager.

FORM 15.

Specimen of By-Laws.

The following By-laws are given for the purpose of showing such points in company affairs as are usually regulated in this way. By-laws will, of course, differ very much according to the nature of the business for which they are framed.

BY-LAWS OF THE MUSSON BOOK PUBLISHING COMPANY, LIMITED.

Passed at a meeting of Shareholders held at the head office of the Company, 17 Richmond Street West, Toronto, on Tuesday, June 25, 1901.

Meetings.

1. The annual meeting of the shareholders shall be held at the head office of the Company on the first Thursday of July in each year, at the hour of twelve o'clock noon, for the purpose of receiving the report of the Directors for the past year, to elect Directors for the ensuing year, and for all other general purposes relating to the management of the Company.

2. General meetings of shareholders may be called at any time by the Directors, whenever they may deem the same necessary, and it shall be incumbent upon the President to call such a meeting of the shareholders whenever he receives a written request to do so signed by holders of not less than one-third of the subscribed capital stock of the Company, for the transaction of any business specified in such written requisition and notice calling the meeting.

3. Notification of the time and place for holding the annual or a general meeting of the Company, must be given to each shareholder at least ten days before date of such meeting.

4. The Directors shall meet as often as the business of the Company may require and shall be called together by the President.

5. At all meetings of shareholders, each shareholder shall be entitled to as many votes as he owns shares in the Company, and may vote either in person or by proxy, duly appointed in writing. All questions coming up at such meetings shall be decided by a majority of such votes.

Directors.

6. The affairs of the Company shall be managed by a Board of five Directors, of whom three shall form a quorum.

7. The President and Vice-President of the Company shall be chosen by the Directors from amongst themselves at the first board meeting after the annual meeting.

8. The President, shall, if present, preside at the meetings of the Company; call meetings of the Board of Directors and Shareholders when necessary, and advise with and render such assistance to the Managing Director as shall be in his power. Questions arising at any meeting of the Board of Directors shall be decided by a majority of votes, each Director present in person being entitled to one vote. In case of an equality of votes the Chairman shall have a casting vote in addition to his own vote. In the absence of the President, the Vice-President shall act in his stead.

9. The Secretary shall keep a record of the proceedings of all meetings of the Board of Directors and of the Shareholders of the Company, and shall be the custodian of the seal and books of the Company.

10. Any Shareholder not in arrears for payments for calls upon his stock, and who holds in his own right not less than ...... shares may be elected a Director.

11. The Board of Directors shall from time to time determine the salary or wages to be paid the officers of the Company.

12. The Company shall have a corporate seal of such design as the Board may determine, which seal shall be in charge of the Secretary and whenever used shall be authenticated by the signatures of the President and Secretary.

Stock.

13. Shareholders shall not, without the consent of the Board of Directors, transfer their shares to any person not now a member of the Company, and all transfers whatever, shall be recorded in a book provided for that purpose, and signed by the transferor or transferee, whose signatures must be duly witnessed.

Accounts.

14. At the annual meeting in each year, the Directors shall lay before the Company a statement of the income and expenditure for the last year, together with a balance sheet, showing the assets and liabilities of the Company arranged under their proper headings.

Auditors.

15. One or more auditors who must be Chartered Accountants shall be appointed annually by the shareholders, at the general meeting, whose duties it shall be to examine and audit the books, vouchers and accounts of the Company, and all documents having reference to the Company's business. They shall also examine and verify the financial statements to be presented at the annual general meeting of the Company.

Bank Account.

16. A bank account shall be kept in the name of the Company at the Canadian Bank of Commerce, Toronto

17. All checks shall be signed by any two of the following three, namely: the President, Vice-President and Secretary-Treasurer.

18. The directors are hereby empowered to arrange for advances from the Bank by way of discount or otherwise and to give such security as may be deemed reasonable and in the interests of the Company.

Changing By-Laws.

19. These By-laws may be repealed, amended and re-enacted from time to time, but such change must be confirmed at a general meeting duly called for that purpose, otherwise they shall have force only until the next annual meeting of the Company, and if not confirmed thereat shall from that time be null and void.

CHAPTER III.

JOINT STOCK COMPANY BOOKS.

JOINT STOCK BOOKKEEPING—BOOKS OF RECORD—RIGHT TO EXAMINE BOOKS—BOOKS OF ACCOUNT—ANNUAL STATEMENT OF INCOME AND EXPENDITURE—ANNUAL SUMMARY OF AFFAIRS—JOINT STOCK BOOKS—MEMORANDUM OF AGREEMENT AND STOCK BOOK—APPLICATION AND ALLOTMENT BOOK—INSTALMENT BOOK—INSTALMENT RECEIPT BOOK—STOCK CERTIFICATE BOOK—TRANSFER BOOK—FORM OF TRANSFER—REGISTER OF TRANSFERS—THE SHARE LEDGER—DIVIDEND BOOK—REGISTER OF DIRECTORS—THE MINUTE BOOK.

Joint Stock Book-keeping.—The book-keeping for a Joint Stock company differs from that of a Partnership only in so far as the entries relate to the capital accounts of the shareholders or partners; the ordinary business transactions of the concern are recorded in exactly the same way in both cases. Just at this point, the student is recommended to make himself perfectly familiar with the extracts herein given from the Ontario Companies Act touching upon the Books to be kept, Returns to be made, etc. The Dominion Act is substantially the same in these respects.

Books of Record.—Section 71 of the Ontario Act reads as follows:

"The company shall cause the secretary or some other officer especially charged with that duty, to keep a book or books wherein shall be kept recorded:

(*a*) A copy of the Letters Patent incorporating the company and of any supplementary letters patent issued to the company; and if incorporated by special Act, the chapter and year of such Act;

(*b*) The names alphabetically arranged, of all persons who are or have been shareholders in the company;

(*c*) The post-office address and calling of every such person while such shareholder;

(*d*) The number of shares of stock held by each shareholder ;

(*e*) The amount paid in and remaining unpaid respectively, on the stock of each shareholder ;

(*f*) The date and other particulars of all transfers of stock in their order ; and

(*g*) The names, post-office addresses, and callings of all persons who are or have been directors of the company ; with the several dates at which each person became or ceased to be such director."

Right to Examine Books. Section 74 of the same Act, referring to the Books of Record says :

"Such books shall during reasonable business hours of every day, except Sundays and holidays, be kept open for the inspection of shareholders and creditors of the company and their personal representatives or agents at the head office, and every such shareholder, creditor, agent, or representative, may make extracts therefrom."

Books of Account. Section 77 of the Ontario Act reads as follows :

"The directors shall cause proper books of account to be kept containing full and true statements :

(*a*) Of the company's financial and trading transactions ;

(*b*) Of the stock-in-trade of the company ;

(*c*) Of the sums of money received and expended by the company, and the matters in respect of which such receipt or expenditure takes place, and

(*d*) Of the credits and liabilities of the company ; and also a book or books containing minutes of all the proceedings and votes of the company, or of the board of directors, respectively, and the by-laws of the company, duly authenticated, and such minutes shall be verified by the signature of the president or other presiding officer of the company."

Annual Statement of Income and Expenditure.—This matter is dealt with in Section 78 of the Ontario Act as follows :

"At each annual meeting, or at least once in every year, and at intervals of not more than fifteen months, the directors shall, at a general

meeting duly called, lay before the company a statement of the income and expenditure of the company for the past year, made up to a date not more than three months before such annual or general meeting, and shall also lay before the company such further information respecting the company's financial position and profit and loss account as the by-laws or the charter of the company may require."

Annual Summary of Affairs.—Section 79 of this Act requires every Joint Stock Company doing business in the Province of Ontario to make out annually a summary in duplicate of its affairs on printed schedules provided by the Government. These forms call for detailed information respecting the shares and shareholders of the company, its directors, etc., as on the 31st day of December, and must be made out on or before the 1st day of February of the following year; one copy must be posted up in a conspicuous position in the head office of the company, on or before the 2nd day of February, and the other must be sent by registered letter to the Provincial Secretary, on or before the 8th day of February. Companies not complying with the provisions of this section incur a penalty of $20, for every day default continues.

Joint Stock Books. We shall now proceed to explain and illustrate the books that are peculiar to Joint Stock Companies. They may be enumerated as follows:

1. The Memorandum of Agreement and Stock Book.
2. The Application and Allotment Book.
3. The Instalment Book.
4. The Instalment Receipt Book.
5. The Stock Certificate Book.
6. The Transfer Book.
7. The Register of Transfers.
8. The Share Ledger.
9. The Dividend Book.
10. The Register of Directors.
11. The Minute Book.

Memorandum of Agreement and Stock Book.—The statutory form of this book has already been shown on page 25; it is given here with the subscriptions entered. It will be remembered that the original

MEMORANDUM OF AGREEMENT AND STOCK BOOK.

WE, THE UNDERSIGNED, do hereby severally COVENANT and AGREE each with the other to become incorporated as a Company under the provisions of *The Ontario Companies Act* under the name of *The Toronto Broom and Brush Company, Limited,* or such other name as the Lieutenant-Governor-in-Council may give to the Company, with a capital of Fifty Thousand Dollars, divided into Five Hundred shares of One Hundred Dollars each.

AND WE DO HEREBY severally, and not one for the other, SUBSCRIBE for and AGREE to take the respective amounts of the capital stock of the said company set opposite our respective names as hereunder and hereafter written, and to become shareholders in such company to the said amounts. IN WITNESS WHEREOF we have signed.

Signatures of Subscribers.	Seals.	Amount of Subscription.	Date and Place of Subscription.				Residences of Subscribers.	Signatures of Witnesses
			Year.	Month.	Day.	Place.		
Donald Hoskins	×	$15,000	1901	Sept.	4	Toronto	Toronto	J. W. Westervelt.
Chas. R. McCullough	×	10,000	"	"	4	"	Hamilton	J. W. Westervelt.
Chas. E. Lailey	×	6,000	"	"	5	"	Toronto	J. W. Westervelt.
A. C. Neff.....	×	4,000	"	"	5	"	"	J. W. Westervelt.
S. T. Willis	×	3,000	"	"	6	"	Ottawa.....	J. W. Westervelt.

members of the company must enter their subscriptions in duplicate stock books, both of which must be forwarded to the office of the Provincial Secretary along with the Petition for Letters Patent. One copy is kept there on file and the other is stamped and returned to the company. This book is frequently called the Subscription Book and subsequent subscriptions may be made either in it or on separate forms such as those described on page 19.

EXERCISE 1.—Copy carefully the Memorandum of Agreement and Stock Book given on page 39.

EXERCISE 2.—Draw up a Memorandum of Agreement and Stock Book for the East York Milling Company, Limited, of Markham, Ontario, which is being organized with an authorized capital of $75,000, divided into 750 shares of $100 each. Enter up the following subscriptions and sign your own name as witness thereto :

T. F. Wright, Blackstock, - -	200 shares.
John Doherty, Ellesmere, - -	150 "
Geo. Ewers, Manchester, - -	80 "
John McCabe, King, - - -	120 "
Warren Prosser, Belhaven, -	130 "

EXERCISE 3.—Prepare form of Subscription Book for the Forest City Publishing Company, Limited, of London, Ont., which intends to apply for incorporation under the Ontario Companies Act with an authorized capital of $20,000 divided into 400 shares of $50 each. Enter up the names of eight subscribers for amounts aggregating $18,000 and sign your own name as witness to six of them and get your teacher to witness the other two.

Application and Allotment Book.—We have already referred to the practice of sending out blank application forms to persons who are likely to invest in the shares of the newly-organized company. The purpose of the Application and Allotment book is to keep a systematic record of the applications received and the shares subsequently allotted thereon. At the expiration of the time designated for receiving subscriptions the applications are entered in this book, the first part of which consists of special columns for the names, occupations and addresses of the applicants together with the number of shares applied for and deposits received on account of same. This information is placed before the directors, as soon as the subscription list closes, for the purpose of allot-

Application and Allotment Book.

THE TORONTO ENGRAVING COMPANY, LIMITED.

No. of Application.	Name of Applicant.	Occupation.	Address.	Shares applied for.	Deposit paid with application.	C. B. Book Fol.	Number of Allotment Letter.	Number of Letter of Regret.	Shares Allotted.	Number of Shares Allotted. From	To	Amount due on Allotment.	Cash Returned to Applicant. Date.	Amount.	C. B. Fol.	Share Ledger Fol.
1	Alex. Blanchard	Accountant	Hamilton, Ont.	250	2500	2	1		250	1	250	2500				1
2	James Gray	Merchant	66 Church St., Toronto.	40	400	2		1					Sept. 6 01	400	9	
3	David Hoskins	Accountant	413 Yonge St. "	75	750	2	2		60	251	310	5250				2
4	Samuel Murray	Lawyer	98 King St., W. "	50	500	4		2					Sept. 6 01	500	9	
5	W. B. Tindall	Accountant	12 Victoria St. "	80	800	4	3		60	311	370	5200				3
6	J. W. Westervelt	Teacher	London, Ont.	120	1200	6	4		120	371	490	10800				4
7	Geo. Wood	Engraver	14 Adelaide St., Toronto	30	300	6	5		10	491	500	700				5
				645	$6450				500			$44450		$900		

ting the shares. Letters of Allotment are sent to those whose applications have been accepted in part or in full, and Letters of Regret are mailed at the same time to those whose subscriptions have been refused.

In our illustration we have assumed that the Toronto Engraving Company, Limited, has placed upon the market for open subscription 500 shares of its stock, par value $100 each, a deposit of 10 per cent. to be made with the application and the balance to be paid on allotment The Application and Allotment book shows the directors that 645 shares have been subscribed for, which is 145 more than they intend to issue. After carefully considering the applications they decide to allot the full number applied for by Blanchard and Westervelt; Hoskins, Tindall and Wood receive only 130 shares between them instead of the 185 applied for; the applications of Gray and Murray are rejected altogether. Letters of Allotment would be immediately sent to the first five, informing them of the number of shares allotted and the balance still due upon them; the other two would receive Letters of Regret containing cheques for the amount received with their applications. At the same time that portion of the Application and Allotment book dealing specially with Allotments would be completed. In this connection it will be noticed that the cash paid with application by Tindall, Hoskins and Wood was considerably more than 10 per cent. of the par value of the stock allotted them; this is adjusted by reducing the amount payable on allotment to the extent of the excess.

EXERCISE 4.—Rule form and copy carefully the Application and Allotment Book of the Toronto Engraving Co., Limited, as shown on page 41.

EXERCISE 5.—The Toronto Storage Warehouse Company, Limited, has an authorized capital of $150,000, divided into 1,500 shares of $100 each. Nine hundred shares are offered for subscription through A. E. Ames & Co., brokers, each application to be accompanied by a deposit of 10 per cent. of the amount subscribed for. Prepare form of Application and Allotment Book and enter therein the following applications, allotments and refusals:

David Hoskins	applied	for	240	shares	and	was allotted	200
J. W. Westervelt	"	"	200	"	"	"	180
A. W. Young	"	"	250	"	"	"	120
S. T. Willis	"	"	360	"	"	"	200
Wm. Brooks	"	"	400	"	"	"	200
Alex. Grey	"	"	50	"	"	"	None
Wm Burns	"	"	40	"	"	"	"

EXERCISE 6.—Write Letters of Application for shares in above company as sent in by D. Hoskins and J. W. Westervelt. (Use Form 2, page 19.)

EXERCISE 7.—Prepare Subscription Form suitable for use by the above company and show how it would be filled in by A. W. Young in subscribing for the shares mentioned against his name. (See Form 2a, page 18.)

EXERCISE 8.—Write Letters of Allotment to S. T. Willis and Wm. Brooks. (See Form 3, page 19.)

EXERCISE 9.—Write Letters of Regret to Alex. Grey and Wm. Burns. (See Form 4, page 20.)

Instalment Book.—This book is for the purpose of entering up a list of the shareholders and showing the amount payable by each when calls are made upon the stock. Sometimes instead of using a separate book the Application and Allotment book is ruled with additional columns for each call. As stock does not often change hands until fully paid up the Instalment book may be prepared with special columns for the different calls, thus doing away with the necessity of writing the names more than once.

INSTALMENT LIST OF THE FINAL CALL OF 30 PER CENT. ON THE STOCK OF THE OTTAWA LUMBER CO., LIMITED, DUE AND PAYABLE OCT. 1ST, 1901.

Names of Shareholders.	Addresses.	No. of Shares.	Amount of Instalment.		Interest.		Amount Received		Date of Payment.		
Thos. M. Watson	King, Ont.	60	1800	00			1800	00	1901	Oct.	1
Edw. Worden	Bowmanville Ont.	75	2250	00			2250	00	"	"	"
Geo. Ewers	Manchester, Ont.	80	2400	00	30	00	2430	00	"	Dec.	31
Jas. W. Craigie	Hanover, Ont.	40	1200	00			1200	00	"	Oct.	1
Arthur Blott	Dunnville, Ont.	30	900	00			900	00	"	Sept	30
Jas. M. Lumbers	Toronto, Ont.	20	600	00	2	50	602	50	"	Nov	1
Alex. F. Robertson	Hawkesville, Ont.	35	1050	00			1050	00	"	Oct.	1
		340	10200	00	32	50	10232	50			

Instalment Receipt Book.

THE OTTAWA LUMBER CO., LIMITED.

INSTALMENT RECEIPT.

No. 23.

Thos. M. Watson, King, Ont.

Second Call of 30 Per Cent.

On 60 Shares of $100 each.

Amount, $1800. S. L. Fol. 15.

Dated October 1, 1901.

Received Receipt for above Instalment.

THOS. M. WATSON.

No. 23. INSTALMENT RECEIPT. 60 Shares, $1800.

THE OTTAWA LUMBER COMPANY, LIMITED.

RECEIVED from Thos. M. Watson, the sum of Eighteen Hundred Dollars, being the Second Call of Thirty per cent. on Sixty Shares of the Capital Stock of **The Ottawa Lumber Company, Limited,** said Shares having been reserved and set apart for him, or his assigns, on condition that he, or they, fulfil the terms of the subscription.

IN WITNESS WHEREOF we hereunto subscribe our names and affix the corporate seal of the Company, this 1st day of October, 1901.

D. HOSKINS,
Secretary.

Seal of Company.

J. W. WESTERVELT,
President.

Stock Certificate Book.

Certificate No. 12.

For 250 Shares.

Issued to

Charles R. McCullough

Hamilton, Ont.

Dated November 1st, 1901.

From whom transferred

Dated 190

No. Original Certificate.	No. Original Shares.	No. of Shares Transferred.

Received Certificate No. 12 for 250 Shares this 1st day of November, 1901.

CHAS. R. McCULLOUGH.

Number 12.

Authorized Capital Stock, $200,000.

Number of Shares, 2,000 of $100 each.

Shares 250.

This Certifies that

Charles R McCullough

is the owner of Two Hundred and Fifty fully paid shares of one hundred dollars each of the Capital Stock of

The Toronto Book Publishing Company, Limited

The said Shares are transferable only on the Books of the Company in person or by Attorney on surrender of this Certificate.

Seal.

In Witness Whereof *the said Company has caused this Certificate to be signed by the duly authorized officers under the Corporate Seal of the Company, this 30th day of November, 1901.*

WM. BROOKS,
Secretary.

D. HOSKINS,
President.

Exercise 10.—Copy carefully the Instalment List of the Ottawa Lumber Company shown on page 43.

Exercise 11.—Prepare an Instalment List for a Second Call of 30 per cent. on the Capital Stock of the Toronto Storage Warehouse Company, due and payable on March 1, 1902. (See List of Shareholders, Exercise 5, page 42.)

Exercise 12.—Prepare an Instalment List for a First Call of 60 per cent. on the Capital Stock of the East York Milling Company. (See Exercise 2, page 40.)

Instalment Receipt Book.—The receipts issued to shareholders when they pay their Calls are known as Instalment Receipts or Scrip. The blanks are bound together and consecutively numbered like bank cheques. The shareholder signs an acknowledgment on the stub of the receipt that he has received Scrip for the amount stated thereon. These Receipts are exchanged for Stock Certificates as soon as the shares have been fully paid up.

Exercise 13.—Write out Instalment Scrip and show stubs properly filled for the payment of the first call on the capital stock of the East York Milling Company. (See Instalment List, Ex. 12, above.)

Stock Certificate Book.—This book is very similar in form to the Instalment Receipt Book and consists of blank stock certificates with the corresponding stubs. As soon as all the calls on the stock have been paid in, Stock Certificates are issued in exchange for the Instalment Scrip held by the shareholders. Whenever shares are transferred the transferring shareholder returns his certificate to the company and a new certificate is issued to the purchaser for the shares transferred; if the seller still retains any shares he receives a new certificate also.

Exercise 14.—Copy carefully on blank paper the foregoing Certificate of Stock, including the stub.

Exercise 15.—Write out Certificates of Stock, with stubs properly filled, for the shareholders of the Toronto Storage Warehouse Company as per list in Exercise 5, page 42.

Transfer Book.—When shareholders are desirous of transferring any or all of their shares to another person, a regular form of transfer must be signed by the transferor for this purpose. These forms are bound together in a book kept at the company's office, and generally

include not only the transfer but an agreement to be signed by the transferee in which he formally accepts the stock. These transfers and acceptances should be kept in the company's possession, as they are generally the only written evidence it has of the transaction. Shares are frequently transferred by brokers holding a Power of Attorney from the transferor; in such cases the Power of Attorney should be filed carefully away, or attached to the actual transfer. Forms for this purpose are commonly printed on the back of the Stock Certificates. In passing it may be well to call attention to the fact that shares not fully paid up can only be transferred with the consent of the directors of the company; indeed, this consent is required by many companies even after the stock has been fully paid up, to prevent the shares getting into the hands of undesirable persons.

Exercise 16.—Copy the foregoing Transfer and Acceptance on blank paper.

Exercise 17.—Write out Transfers and Acceptances of the following shares of stock in the Toronto Storage Warehouse Co., Limited:

From David Hoskins to J. W. Westervelt, 30 shares.
" William Brooks to S. T. Willis, 40 shares.
" A. W. Young to C. R. McCullough, 120 shares.

(See Exercise 5, page 42.)

Form of Transfer.

Share Led. Folios 4, 23.	FOR VALUE RECEIVED. I, W. T. Kernahan, do hereby assign and transfer to Wilton C. Eddis, all my right, title and interest in Sixty shares of the capital stock of *The Toronto Book Publishing Company, Limited*, on which has been paid the sum of Six Thousand Dollars, and which are now standing in my name on the books of the said company.
	Witness my hand at the office of the Company, in the City of Toronto, this 2nd day of December, 1901.
	Witness:
	W. B. Tindall. W. T. Kernahan.
	I HEREBY ACCEPT the foregoing transfer of Sixty shares of the capital stock of *The Toronto Book Publishing Company, Limited.*
	Dated this 2nd day of December, 1901.
	Witness:
	W. B. Tindall. Wilton C. Eddis.

Register of Transfers.

No. of Transfer	Date of Transfer.			Transferor's		Shares Transferred.					Transferee's			
	Year.	Month.	Day.	Name.	Address.	S. L. Fol.	How Many.	Par Value.	Paid in.	Unpaid.	Name.	Occupation.	Address.	S. L. Fol.
1	1902	Feb.	8	Wm. Hyslop	Toronto. . .	4	20	2000	1500	500	Chas. E. Latley.	Accountant	Toronto .	26
2	"	March.	12	Geo Ewers	Manchester	14	12	1200	960	240	Edw. Worden	Merchant	Bowmanville ..	27
3	"	June	1	Wm. Brooks	Sarnia .	7	15	1500	1500		Fred Armstrong	Merchant	Toronto	28
4	"	Sept	19	Jas. W. Westervelt	London......	11	8	[illegible]	800		D'Arcy Grierson	Lawyer ...	Toronto ...	29

EXERCISE 18. - Write out new Certificates of Stock issued to Brooks and Willis after the above transfers have been made. (See Exercise 5, page 42.)

Register of Transfers.—Referring back to clause (f) of Section 71 of the Ontario Companies Act as quoted on page 37, it will be seen that joint stock companies are required to keep a record of the date and other particulars of all transfers of stock in their order. Such a record should be kept in a careful and systematic manner, otherwise the accounts of the individual shareholders are not likely to be reliable. Several forms are in use for this purpose, but the following one will be found suitable to the needs of most companies. An extra column may be added to record the serial numbers of the shares transferred if desired. The information recorded in this Register is, of course, obtained from the Transfer book; the necessary entries in the Share Ledger may be posted either from the Register or the original Transfers.

EXERCISE 19. Rule up a form of Transfer Register on foolscap paper and enter therein all the transfers mentioned in Exercise 17, page 47.

EXERCISE 20.—Rule up form of Transfer Register, entering therein two transfers of stock on which 25% has been paid, two on which 40% has been paid and three fully paid up.

The Share Ledger.—The purpose of this book, which is frequently called the Stock Ledger, is to show at a glance full information regarding the stock held by the individual shareholders. An account is kept with each of them showing his name, occupation, address, the number of shares he acquires, transfers or holds, the par value of said shares and the amounts paid in or remaining unpaid thereon. The various entries are usually obtained from the Application and Allotment book, the Instalment Receipt Stubs and the Transfer Register, although many prefer posting all cash items from the Cash book. We submit herewith several forms of Stock Ledgers, all of which have been found to be thoroughly practical.

In Share Ledger "A," Hoskins has been allotted 120 shares of stock and has paid a first call of 30 per cent. thereon on Sept. 3, 1901. As all of the entries under the headings "Shares" and "Par Value of Shares" are self-explanatory no remarks need be made about these; the other columns, however, may not be so easily understood. As 30 per cent. or

Share Ledger "A."

DAVID HOSKINS, Chartered Accountant, Toronto, Ont.

Date.			Particulars.	Fol. or No.	Shares.			Par Value.			Paid Up Calls.			
Year.	Month.	Day.			Transferred.	Acquired.	Bal. Held.	Transferred.	Acquired.	Bal. Held.	Transferred.	Acquired.	Bal. Held.	Unpaid Stock.
1901	Sept.	3	Call No. 1, 30 per cent.	6		120	120		12000	12000		3600	3600	8400
1902	Jan.	4	Transfer to J. Smith.	3	40		80	4000		8000	1200		2400	5600
"	Feb.	12	Call No. 2, 40 per cent.	38			80			8000		3200	5600	2400
"	Mar.	30	Transfer from A. Brown.	16		30	110		3000	11000		2100	7700	3300
"	Aug.	31	Call No. 3, 30 per cent.	126			110			11000		3300	11000	
"	Nov.	7	Transfer to C. Dodds.	34	60		50	6000		5000	6000		5000	

$30 per share is the amount paid on the first call, this multiplied by the number of shares gives us $3600 as the "Paid Up Stock Acquired." This amount deducted from the Par Value of the stock held gives the balance remaining unpaid. On Jan. 4, 1902, Hoskins transfers 40 shares and as $30 has been paid on each of these shares he is really transferring $1200 Paid Up stock; this deducted from the $3600 he held before the transfer leaves him $2400 Paid Up stock; subtract the $2400 from $8000 Par Value and the difference $5600 is the amount remaining unpaid on the 80 shares now held by Hoskins. Call number 2, amounting to 40 per cent. or $40 per share, is paid by Hoskins on the 80 shares held by him on Feb. 12, 1902; this gives us $3200 which has to be added to the Paid Up stock previously held by him and deducted from the previous Unpaid balance. On March 30, 1902, he buys 30 shares of the same stock from another shareholder and as $70 per share has already been paid in on it he thus increases his Paid Up stock by $2100, making a total of 110 shares of stock on which $7700 has been paid and $3300 remains unpaid. The remaining transactions are dealt with in a similar manner.

Many company secretaries prefer the arrangement of the columns in Share Ledger "B" to that shown in "A." The information given is exactly the same in both cases so that a detailed explanation of the entries given in the illustration is entirely unnecessary. Where it is desired the columns dealing with the Par Value of the shares may be omitted; this, however, is not recommended. It will be noticed that in this case all the shares have been transferred by McCullough at different times to other persons; the columns showing the stock acquired and transferred have therefore been balanced and the account closed.

A third form of Share Ledger and one that meets with much favor is that shown in "C." It is arranged very much after the style of the ordinary ledger, having its debits on the left side of the book and its credits on the right. Each side is ruled with columns for dates, particulars, shares, par value, and paid up stock; sometimes the columns for Par Value are omitted. When this form of Stock Ledger is used it is advisable to balance the account whenever there is a transfer so that the exact amount standing to the credit of each shareholder may be ascertained at any time without difficulty. For the purposes of comparison we have written up the same transactions in "B" and "C."

Share Ledger "B."

C. R. McCullough, Secretary, Hamilton, Ont.

Date.			Particulars.	Fol. or No.	Transferred.			Acquired.			Balances.			Unpaid Stock.
Year.	Month.	Day.			Shares.	Par Value.	Paid Up.	Shares.	Par Value.	Paid Up.	Shares.	Par Value.	Paid Up.	
1902	Jan.	8	Call No. 1, 60 per cent.	4				80	8000	4800	80	8000	4800	3200
"	Feb.	15	Transfer from A. Black.	12				10	1000	600	90	9000	5400	3600
"	April	20	Call No. 2, 10 per cent.	42						900	90	9000	6300	2700
"	May	23	Transfer to C. Dalton.	18	40	4000	2800				50	5000	3500	1500
1903	June	10	Call No. 3, 20 per cent.	168						1000	50	5000	4500	500
"	"	30	Transfer to E. Frame.	38	30	3000	2700				20	2000	1800	200
"	Aug.	31	Call No. 4, 10 per cent.	184						200	20	2000	2000	
"	Sept.	30	Transfer to C. Dalton.	43	20	2000	2000							
					90	9000	7500	90	9000	7500				

Share Ledger "C."

Dr. CHAS. R. McCULLOUGH, Hamilton, Ont. **Cr.**

Date.		Particulars.	Fol. or No.	Shares.	Par Value.	Paid Up.	Date.		Particulars.	Fol. or No.	Shares.	Par Value.	Paid Up.
1902. Feb.	15	Balance.		90	9000	5400	1902. Jan.	8	Call No. 1, 60 per cent.	4	80	8000	4800
							Feb.	15	Transfer from A. Black.	12	10	1000	600
				90	9000	5400					90	9000	5400
May	23	Transfer to C. Dalton.	18	40	4000	2800	Feb.	15	Balance.		90	9000	5400
"	"	Balance.		50	5000	3500	April	20	Call No. 2, 10 per cent.	42			900
				90	9000	6300					90	9000	6300
1903. June	30	Transfer to E. Frame.	38	30	3000	2700	May	23	Balance.		50	5000	3500
"	"	Balance.		20	2000	1800	1903. June	10	Call No. 3, 20 per cent.	168			1000
				50	5000	4500					50	5000	4500
Sept.	30	Transfer to C. Dalton.	43	20	2000	2000	June	30	Balance.		20	2000	1800
							Aug.	31	Call No. 4, 10 per cent.	184			200
				20	2000	2000					20	2000	2000

Exercise 24. The Mimico Plough Co. is organized with six shareholders who subscribe as follows: Alexander Blain, 35 shares; Charles Dewar, 30 shares; Edward Frame, 25 shares; George Harris, 18 shares; Isaac Jones, 26 shares; Kenneth Lester, 31 shares. The shares are $100 each and they pay a first instalment of 45 per cent. on August 1, 1901; Blain transfers 16 shares to Harris on October 3, 1901; Dewar transfers 14 shares to Frame on November 8, 1901; they all pay a second call of 35 per cent. on December 1, 1901; Jones transfers 10 shares to Blain on December 31, 1901; Lester transfers 15 shares to Dewar on December 31, 1901; they all pay a final call of 20 per cent. on March 1, 1902; Blain transfers all his stock to Dewar on April 3, 1902. Write Share Ledger account for each member of the above Company, using Form "A."

Exercise 25.—Write up Share Ledger accounts for Blain, Dewar and Frame, using Form "B."

Exercise 26.—Using Form "C", write Share Ledger accounts for Harris, Blain and Lester.

Exercise 27.—Using form "C", write up a Stock Ledger account for a shareholder whose transactions with the Company consisted of a subscription of 60 shares of $50 each on which 20 per cent. was immediately paid; a second payment of 40 per cent.; a sale of 25 shares; a third payment of 30 per cent.; a purchase of 15 shares; a final payment of 10 per cent.; and the transfer of the whole of his stock.

Dividend Book - This book is simply a list of the shareholders with their addresses, against which are written the number of shares held by each and the dividend payable thereon. In some cases an extra column is ruled in which the shareholder signs an acknowledgment of the receipt of his dividend; this column is not often used as dividends are nearly always paid by cheques drawn in such a way that the endorsements answer this purpose. In Companies in which the shareholders seldom change, the same list with the necessary alterations may be used several times by ruling extra dividend columns.

Exercise 28.—Copy carefully Dividend Sheet on the following page.

Exercise 29.—Prepare Dividend Sheet of the Toronto Broom and Brush Company as per list of shareholders shown in Memorandum of

Dividend Book.

THE OTTAWA LUMBER COMPANY, LIMITED.

Dividend No. 3, 8% declared September 30, 1902.

Names of Shareholders.	Addresses.	No. of Shares.	Amount of Dividend.	
John Stephens	East Toronto, Ont.	140	1120	00
S. T. Willis	Ottawa, Ont.	120	960	00
James Murray	Hull, P.Q.	100	800	00
Thos. Black	Pembroke, Ont.	80	640	00
Alex. Wood	Smith's Falls, Ont.	130	1040	00
Wm. Gray	Guelph, Ont.	230	1840	00
		800	$6400	00

Agreement, page 39, said Company having declared a dividend of 9 per cent. on August 31, 1902.

EXERCISE 30.—Write up Dividend Sheet for the East York Milling Company, said Company having declared a dividend of 10 per cent. (See names, page 40.)

EXERCISE 31.—Prepare Dividend Sheet for the Forest City Publishing Co. of London, which has declared a second Dividend of 8 per cent. Use same names as for Exercise 3, page 40.

EXERCISE 32.—Refer to Application and Allotment Book, page 41, and prepare a Dividend Sheet as per list of shareholders there given, supposing the allotted stock to have been subsequently paid in full and a Dividend of 5 per cent. declared thereon on July 31, 1902.

Register of Directors.—The use of this book will be readily understood by studying the illustration given below. As the Board of Directors seldom consists of more than five members of the Company, it is better to write out a new list each year rather than attempt to use the same list with corrections. We submit a specimen Register written up for two successive years.

EXERCISE 33.—Copy the following Register of Directors.

EXERCISE 34.—Write up a similar Register containing names of five Directors, elected June 1, 1900, three of whom retire June 1, 1901, and are replaced by three others.

Register of Directors.

Date Elected.		Names.	Occupation.	Address.	Date Retired.		Remarks.
1901 June	30	Hugh Blain	Merchant	23 Front E., Toronto	1902 June	30	
"	"	John I. Davidson	"	53 St. George St., "	"	"	Re-elected
"	"	Wm. Logan	Accountant	31 Willcock St., "	"	"	
"	"	Jos. F. Eby	Merchant	134 Bloor W., "	"	"	Re-elected
"	"	H. P. Eckhardt	"	Scarborough, Ont.	"	"	
1902 June	30	John I. Davidson	Merchant	53 St. George St., Toronto			
"	"	Jos. F. Eby	"	134 Bloor W., "			
"	"	Emil. C. Boeckh	"	11 Prince Arthur Av., "			
"	"	Alf. W. Wills	Accountant	214 Wellesley St., "			
"	"	F. W. Humphrey	Merchant	518 Ontario St., "			

The Minute Book. This is a book kept by the Secretary of the Company for the purpose of recording the proceedings of meetings of either the Board of Directors or of the Shareholders. The By-laws of the Company should be written in this book and the record of each meeting, after being signed by the Secretary, should be verified by the signature of the President or officer who presided thereat. In order that a correct record may be made, each motion should be written out by the mover and the result of the vote marked thereon by the Secretary and verified by the initials of the Chairman. The Minutes of each meeting are always read immediately after the opening of the following meeting and a vote taken as to their accuracy; if confirmed, they are signed by the President. In many companies separate Minute Books are kept for the Directors and Shareholders respectively.

Minutes

Of the first Annual General Meeting of the Forest City Publishing Company, Limited, held at the head office of the Company, in the City of London, Ont., the 30th day of June, 1901, at ten o'clock in the forenoon.

The President took the chair and called the meeting to order, stating that a quorum, as required by the By-laws of the Company, was present.

The Secretary was then called upon to read the notice convening the meeting.

The minutes of a general meeting of the Company held at the head office in the City of London, on January 20th, 1901, and of two special meetings held subsequently were read and there being no dissent were confirmed by the signature of the President.

The report of the Board of Directors of the Company and the accounts for the year were then presented and taken as read.

On motion of Mr. A. W. Young, supported by Mr. J. Beveridge as seconder, it was resolved that the report of the Board of Directors and the financial statement for the year annexed thereto be received and adopted.

After discussion of the report the Chairman put the resolution, 90 being for and 10 against the same. The resolution was declared carried.

The matter of remuneration to directors was discussed at some length, and it was agreed to lay the matter over until the next annual meeting.

On motion of Mr. Willis, seconded by Mr. J. W. Westervelt, it was resolved that Messrs. Hoskins and Blanchard, Chartered Accountants, be engaged as auditors of the Company's books, etc., for the ensuing year at a fee of $150 per annum each. The resolution was put and carried without dissent.

After nomination, ballots were taken for the election of five directors of the Company for the ensuing year. The secretary, who was appointed

as scrutineer, announced that Messrs. H. T. Gough, S. T. Willis, J. Beveridge, R. Schurman and J. W. Westervelt, having received the necessary number of votes, were elected. The Chairman thereupon declared the above gentlemen duly elected as the Board of Directors.

On motion of Mr. T. F. Wright, supported by Mr. Wm. Brooks, it was resolved that the thanks of this meeting of shareholders of the Forest City Publishing Company, Limited, be presented to Mr. A. W. Young, General Manager, Mr. George Wiggins, Secretary-Treasurer, and to the other officers of the Company for their efficient services during the past year.

The mover put the resolution which carried unanimously.

The meeting then adjourned.

GEO. WIGGINS,
Secretary.

Read and confirmed at the second Annual Meeting of the shareholders held June 30, 1902.

J. W. WESTERVELT,
President.

EXERCISE 35.—Copy the above minutes on blank paper or into your book as directed by your teacher.

CHAPTER IV.

ENTRIES IN BOOKS OF ACCOUNT.

ENTRIES IN BOOKS OF ACCOUNT—SUBSCRIBING AND PAYING FOR SHARES—TRANSFERRING SHARES—DIVIDENDS · RESERVES—BONUSES ORGANIZATION ACCOUNT, PRELIMINARY EXPENSE ACCOUNT IMPAIRMENT OF CAPITAL ACCOUNT—CONVERSION OF A PARTNERSHIP INTO A JOINT STOCK COMPANY—AMALGAMATION OF COMPANIES PREFERENCE STOCK—INCREASE OR DECREASE OF CAPITAL STOCK—ISSUING SHARES AT A DISCOUNT—TREASURY STOCK FORFEITURE OF SHARES.

Entries in Books of Account.—Provided that the student has already a good knowledge of the principles of Double Entry Bookkeeping and has made himself familiar with Company Books and forms, as explained in the preceding chapters, he will have very little difficulty in understanding the entries of a Joint Stock Company character that belong to the Books of Account. These relate almost exclusively to Subscribi _ and Paying for Shares and the payment of Dividends thereon. *Although the illustrative entries which follow are, for the sake of convenience, given in Journal form the student need hardly be told that in practice Cash transactions pass through the Cash Book.*

Subscribing and Paying for Shares.—In the General Ledger of a Joint Stock Company the account which corresponds to the capital accounts of the proprietors in a Partnership is called "Capital Stock," and may, at the option of the accountant, represent either Paid-Up Capital, Subscribed Capital, or Authorized Capital. For the purposes of comparison the entries of a newly-organized company, made from these different points of view, are explained below in the answers to Exercises 36, 37 and 38, respectively.

EXERCISE 36.—The Sarnia Plough Company was organized with an Authorized Capital of $25,000 divided into 250 shares of $100 each.

Shares were allotted as follows · George Paterson, 60 shares; James Robertson, 50 shares; Charles G. Fraser, 45 shares; E. Kaulbach, 40 shares; R. Schurman, 35 shares; 20 shares remaining unallotted. A first instalment of 20 per cent. was paid on allotment; a second instalment of 50 per cent. three months later; and a final instalment of 30 per cent. at the end of the year. The "Capital Stock" account in the General Ledger was kept in such a way as to show the *Paid-Up Capital*. Make the required Journal entries.

ANSWER. In dealing with the accounts of the shareholders in the General Ledger, it is customary to treat them collectively under the ledger title "Shareholders," "Subscription," "Subscribers," or some similar name. If preferred, separate ledger accounts may be kept for each shareholder, but as full information respecting the individual transactions of the stockholders may be found in the Stock Ledger, to do this would be increasing the work of the bookkeeper to no purpose.

In order that "Capital Stock" account may show the amount of Paid-Up stock, entries for the foregoing transactions will have to be made as follows:

(1). Cash	$4,600	
To Capital stock		$4,600
For payment of first instalment of 20 per cent.		
(2). Cash.	$11,500.	
To Capital Stock		$11,500
For payment of second instalment of 50 per cent.		
(3). Cash	$6,900	
To Capital Stock....................		$6,900
For payment of third instalment of 30 per cent.		

Another method would be to charge up "Shareholders" account as each call is made, crediting "Capital Stock" for the same amount, then as payments are made charge "Cash" and credit "Shareholders."

EXERCISE 37.—Using the data given in the preceding exercise, but assuming that "Capital Stock" account is to show the *Subscribed Capital*, make Journal entries required.

ANSWER. (1). Shareholders (Either collectively or individually)	$23,000	
To Capital Stock........................		$23,000

For the aggregate amount of stock allotted.

(2). Cash........................	$4,600	
To Shareholders (Collectively or individually)........................		$4,600

For payment of first instalment of 20 per cent.

(3). Cash	$11,500	
To Shareholders (Collectively or individually)........................		$11,500

For payment of second instalment of 50 per cent.

(4). Cash	$6,900	
To Shareholders (Collectively or individually)........................		$6,900

For payment of third instalment of 30 per cent.

"Capital Stock" has here been credited with the full amount of stock allotted at the organization of the company, consequently no further credits will be made to it until additional stock is subscribed.

"Shareholders" account shows on its debit side the total amount for which the subscribers are collectively liable on their subscriptions, which, of course, is not payable until it is called in by the directors; the credit side shows the total amount paid into the Company in response to calls; the difference therefore shows the aggregate amount for which the shareholders are still liable. If a separate account be kept with each shareholder, the individual liability of each will thus be shown, but as this information is obtainable from the Stock Ledger, the collective account is usually preferable for the General Ledger.

EXERCISE 38.—Again using the data given in exercise 36, but assuming that Capital Stock account is in this case to show the *Authorised Capital,* give necessary entries for posting to the General Ledger.

ANSWER.—This method of dealing with the Capital Stock account necessitates the opening of a special account to keep track of the unsubscribed stock. This account is variously known as "Treasury Stock,"

"Unissued Stock" or "Unsubscribed Stock" and is debited with the amount of stock remaining unsubscribed at the time of making the opening entries in the company's books. Any stock subsequently subscribed for must be credited to this account instead of to Capital Stock as the latter will already have been credited for the full authorized capital.

The entries called for in the question are:

(1). Shareholders	$23,000	
Unsubscribed Stock	2,000	
To Capital Stock		$25,000

For stock allotted and left unallotted respectively at the first meeting of the Board of Directors.

(2). Cash	$4,600	
To Shareholders		$4,600

For payment of first instalment of 20 per cent.

(3). Cash	$11,500	
To Shareholders		$11,500

For payment of second instalment of 50 per cent.

(4). Cash	$6,900	
To Shareholders		$6,900

For payment of third instalment of 30 per cent.

EXERCISE 39.—In the foregoing question if a month after the third instalment were paid, fifteen of the remaining shares were subscribed and paid for in cash, what entry would be made?

ANSWER —Cash	$1,500	
To Unsubscribed Stock		$1,500

For 15 shares subscribed subsequent to first allotment.

When the above entry is posted the difference between the two sides of Unsubscribed Stock will show that 5 shares still remain; as soon as this account balances it shows that stock has been issued up to the full Authorized Capital of the company.

EXERCISE 40.—Taking the list of shareholders and subscriptions given in the Stock Book of the Toronto Broom and Brush Company, page 39, make Journal entries therefrom for the following transactions in such

a way that when posted the Capital Stock account will show the Paid-Up Capital of the Company;

Sept. 4, 1901. A first instalment of 35 per cent was paid.

Oct. 1, 1901. A second instalment of 40 per cent was paid.

Nov. 3, 1901. E. Kaulbach subscribed for 80 shares, paying 75 per cent on allotment.

Dec. 31, 1901. A final instalment of 25 per cent was paid.

Exercise 41. – Provided that the Capital Stock account is to show the Subscribed Capital of the Company, make the necessary Journal entries for the transactions given in Exercise 40.

Exercise 42. – Make Journal entries for the transactions in exercise 40, dealing with Capital Stock account in such a way that it will show the Authorized Capital of the Company.

Exercise 43.—Post the entries of Exercise 42 to the General Ledger and make Trial Balance.

Exercise 44.—Using the Stock List of Exercise 2, page 40, make Journal entries for the following transactions, assuming that in the General Ledger the Capital Stock account is to show the Subscribed Capital and that a collective account (instead of a separate one for each) is to be kept for the Shareholders:

Feb. 1st, 1902. A first instalment of 40 per cent is paid

May 1, 1902. A second instalment of 30 per cent is paid.

June 14, 1902. Howard Morton, Belhaven, subscribes for 40 shares at par and pays 70 per cent. thereon.

Aug. 1, 1902. A final instalment of 30 per cent. is paid.

Sept. 15, 1902. Fred Woods, Roach's Point, subscribes and pays for the remaining shares at par.

Exercise 45.—If in the General Ledger of the above company, a separate account were kept for each shareholder, what Journal entries would be required?

Exercise 46.—Using form "C" as shown on page 56, write up the *Share Ledger* accounts of T. F. Wright, Howard Morton, and Fred Woods from the information given in Exercise 44.

EXERCISE 47.— Write up the Journal for Exercise 44 in such a way that when posted to the General Ledger, Capital Stock account will show the Authorized Capital of the company.

EXERCISE 48. Post the entries of Exercise 47 to the General Ledger and make a Trial Balance.

Transferring Shares. The method of entering up transfers of shares in the Stock Ledger from the various Books of Record has already been fully explained. (See pages 46 to 53.) It has also been shown in the foregoing portion of this chapter that as a rule the only accounts relating to the Company's shares that are opened in the General Ledger are Capital Stock, Shareholders and sometimes Unsubscribed Stock. None of these are in any way affected by the transfer of shares from one shareholder to another and consequently no entry need be made in the Books of Account. If, however, in opening up the books the accountant has opened a separate account for each shareholder a Journal entry may have to be made; this depends on the way in which the Capital Stock account has been handled and whether the shares are fully paid up or not. This will be readily understood after carefully studying the explanations given in the answers to the next exercise.

EXERCISE 49.— H. T. Gough, St. Thomas, who holds 30 shares of the stock of the St. Thomas Printing Company, Limited, on which 60 per cent has been paid, transfers 10 shares to A. Blanchard, Hamilton. Give the necessary Journal entries under the conditions stated below:

(1) *A Collective account to be kept for Shareholders* and "Capital Stock" account to represent (*a*) Paid-up Capital, (*b*) Subscribed Capital, (*c*) Authorized Capital;

(2) *A Separate account to be kept for each Shareholder* and "Capital Stock" account to represent (*a*) Paid-up Capital, (*b*) Subscribed Capital, (*c*) Authorized Capital.

ANSWER.— (1) COLLECTIVE ACCOUNT FOR SHAREHOLDERS. No Journal entry is required for a transfer of shares when the collective account is kept for shareholders in any of the above stated cases. By this method the General Ledger is made to show only the aggregate amounts of stock subscribed, paid up, or authorized, and none of these are in any way changed by the transfer of shares from one person to another.

(2) SEPARATE ACCOUNT FOR EACH SHAREHOLDER. (a) When Capital Stock represents Paid Up Capital the separate accounts kept for the individual shareholders would be in balance as they would have been charged with the 100 per cent. when it was called and credited when it was paid. The only open account is "Capital Stock" and as this is in no way affected by the transfer no Journal entry is necessary.

(b) When Capital Stock represents Subscribed Capital, Gough stands debited for $3000 (30 x $100) and credited for $1800 (30 x $60); the difference $1200 (30 x 40) being the amount remaining unpaid upon the 30 shares. When the 10 shares are transferred to Blanchard the Company will no longer look to Gough but to Blanchard for the payment of the remaining calls upon these shares therefore the $400 (10 x 40) is charged against Blanchard and credited to Gough. By this method the purpose of the individual accounts is to show the amount remaining unpaid on the shares of each shareholder, consequently an additional Journal entry must be made for each transfer of partially paid shares debiting the Transferee and crediting the Transferor *for the unpaid balance on the shares transferred.* If the shares are fully paid up, no entry is made as the transferor's account is in balance.

(c) The same entry would be made when the Capital Stock account represents Authorized Capital as when it represents Subscribed Capital. The unsubscribed portion of the stock does not enter into the question of Transfers at all, just the unpaid portion of the subscribed stock. The Journal entry in this case is therefore

A. Blanchard	$400	
To H. T. Gough		$400
Unpaid balance on shares transferred		

EXERCISE 50.—Journalize the transactions given in Exercise 24, page 54, assuming that "Capital Stock" shows Subscribed Capital, and that a separate account is to be kept in the General Ledger for each shareholder; post and take Trial Balance.

EXERCISE 51.—Journalize the foregoing transaction keeping a collective account for "Shareholders," instead of a separate one for each, in the General Ledger. Post as before, take Trial Balance and compare the whole work with that of the preceding exercise.

EXERCISE 52.—Make Journal entries for posting to General Ledger for the transfers shown on Register of Transfers, page 48, assuming that

separate accounts are to be kept for each shareholder and that Capital Stock represent Subscribed Capital.

EXERCISE 53.—Refer to Share Ledger "A", page 50, and journalize the items shown in the column of particulars, post same to General Ledger and compare carefully the account of D. Hoskins therein with that given in the aforesaid Share Ledger.

EXERCISE 54. Refer to Share Ledger "B", page 52, and journalize the items in "Particulars" columns, post to General Ledger and compare carefully the account of C. R. McCullough with Share Ledger accounts for same transactions on pages 52 and 53.

EXERCISE 55.—Keeping a collective account for Shareholders instead of separate ones for each, and dealing with Capital Stock so that it will show Paid Up Capital only, make Journal entries required for transactions in Exercise 24, page 54. When completed compare with your entries for Exercises 50 and 51.

Dividends.—That part of a company's profits which is set apart by resolution of the directors for division among the stockholders is called a Dividend. That dividends should never be paid except out of accumulated profits is made clear by Section 83 of the Ontario Companies Act which reads as follows: "The directors of the company shall not declare or pay any dividend when the company is insolvent, or any dividend the payment of which renders the company insolvent, or diminishes the capital thereof." Dividends are generally payable in cash although it frequently happens that a company has had a prosperous business year but has used its surplus profits in purchasing additional plant or material, thus increasing the value of the capital of the concern. In such cases it is quite common to declare a *Stock Dividend*, that is, a dividend consisting of shares in the company up to the amount of the surplus profits set aside for this purpose.

When a *Cash Dividend* is declared the Dividend Book is written up as shown on page 55, and the following Journal entry made:

Loss & Gain A/c	$6400	
To Dividend No. 3		$6400
Dividend of 8% declared upon $80000 stock.		

Probably where there are a number of shareholders it is the best plan to draw one cheque for the total amount of the dividend and place

this amount to the credit of an account in the bank called "———— Co., Limited, (Dividend Account)." The individual cheques, therefore will be marked and charged to this special account. One great advantage of this method is that it avoids unnecessary outstanding cheques in the ordinary current bank account.

When cheques are issued to the shareholders for the amounts due them the following entry is made :

Dividend No. 3.. ....$6400
To Cash (or Bank) $6400
Cheques issued to shareholders per Dividend Book, page 55.

Another method, sometimes employed, is to credit the individual shareholders instead of "Cash" in the foregoing entry, and then to charge them up separately when the cheques are issued.

When a *Stock Dividend* is declared the first entry is the same as in the case of a Cash Dividend, namely,

Loss & Gain.. ....$6400
To Dividend No. 3 ....$6400
For a Stock Dividend of 8% declared to-day.

Then when the shares are issued the following entry is made :
Dividend No. 3 ....$6400
To Capital Stock $6400
For shares issued to stockholders to pay Dividend No. 3, as per Resolution duly passed.

If preferred the individual stockholders may be credited instead of Capital Stock in the preceding entry and then charged with the same amounts when the new Stock Certificates are issued, Capital Stock receiving credit for the total increase. The Stock Ledger would also require to be posted up to date by entering the newly-issued shares in the accounts of the different shareholders. Fractional parts of a share could not, of course, be issued ; a stockholder entitled to a dividend of say $960 would either pay in $40 in cash and receive 10 shares of stock or would receive 9 shares of stock and $60 cash. It is customary to open a separate account for each dividend, numbering them consecutively from the organization of the company.

Reserves.—A well-managed company rarely distributes the whole of its accumulated profits as dividends. A reasonable proportion is nearly always set aside to provide for future contingencies or to assist in paying dividends in a less prosperous year, or allowed to remain at the

credit of "Loss and Gain" account. The special account opened in such a case is variously known as "Reserve," "Surplus," or "Rest." The former title is generally used and when the amount has been set aside for a special purpose the name of the account usually indicates this fact; for instance, if $800 be set aside to provide for possible future bad debts, the account might be called "Reserve for Bad Debts," if for discounts, to which customers are entitled if they choose to take advantage of them, the ledger title "Reserve for Discounts" would be suitable.

As setting aside a Reserve is merely transferring Profits from the "Loss and Gain" account to the credit side of some other account, the entry to be made in the books is of quite a simple character and is as follows:

Loss and Gain.... .... $650.
To Reserve .... ' .... ..$650.
Carried to Reserve account by order of directors.

If at the end of the following year, the directors found it necessary to use this Reserve to offset special losses or to help pay the customary dividend, the entry would be:

Reserve ....$650.
To Loss and Gain ....$650.
Transferred amount standing at credit of Reserve account to Loss and Gain account.

Supposing the company desires to set aside $900 as a Reserve for Bad Debts the entry to be made would be:

Loss and Gain. .... $900.
To Reserve for Bad Debts ....$900.
Set aside above amount to off-set possible bad debts.

We will now assume that during the ensuing year the losses through bad debts were as follows:

James Brown owed $400 and paid 60 per cent.; loss $160.
John Scott " $500 " 40 " ; " $300.

The following entries would be made at the time the respective settlements were made:

Cash ....$240.
Bad Debts...... ...$160.
To James Brown ....$
Compromised with James Brown at 60 cents on the dollar.

Cash................$200.
Bad Debts ....$300.
To John Scott... . ... $500.
Compromised with John Scott at 40 cents on the dollar.

The account "Bad Debts" would thus show a total debit of $460. If there were no Reserve for Bad Debts, the "Bad Debts" account would be closed directly into Loss and Gain, but the company have $900 at the credit of "Reserve for Bad Debts." The following entry would, therefore, be made :

Reserve for Bad Debts........ .. .. $460.
To Bad Debts... . ...$460.

Transferred from Reserve for Bad Debts sufficient to off-set the losses from Bad Debts for past year.

This would close the Bad Debts account and leave $540 still at the credit of the Reserve account. If the losses from this source during the year had been $1,200, which is greater than the whole amount reserved by $300, the entry would have been :

Reserve for Bad Debts .... $900.
To Bad Debts .. .. $900.

Transferred Reserve for Bad Debts to Bad Debts account

This would leave "Bad Debts" with a debit excess of $300 which would be closed into Loss and Gain in the usual way. Some prefer to charge the losses from this source directly to "Reserve for Bad Debts," but most accountants favor the method here explained.

Bonuses. Sometimes a company decides to set aside a certain proportion of its profits to be distributed among its employees as a gift ; occasionally a special allowance is made to shareholders in addition to the customary dividend ; in either case the entries in the books would be similar to those for a dividend, except that they pass through a "Bonus" account instead of a "Dividend" account. When the Bonus is set aside the entry is

Loss and Gain ....
To Bonus Acct...........

and when paid

Bonus Acct............ .. ..
To Cash ....

EXERCISE 56.—Refer to the Dividend sheet required by Exercise 30, and make the necessary Journal entries for the declaration and payment of the dividend.

EXERCISE 57.—Refer to the Dividend sheet required by Exercise 31 and make the necessary entries for the declaration and payment of the dividend.

EXERCISE 58.—Refer to the Dividend sheet shown on page 55, and make entries for the declaration and payment of the dividend.

EXERCISE 59.—Refer to the Application and Allotment book shown on page 41, and using the list of shareholders there given make necessary entries for the declaration and payment of a Stock Dividend of 10 per cent.

EXERCISE 60.—Taking the list of shareholders given in Exercise 5, page 42, prepare Dividend sheet and make entries for the declaration and payment of a Stock Dividend of 10 per cent.

EXERCISE 61.—The Toronto Broom and Brush Co., Limited, ends its first business year with a Net Profit of $5000. The directors declare a Cash Dividend of 6 per cent. and a Stock Dividend of 5 per cent. and order the balance of the profits to be transferred to a Reserve account. The required cheques and stock certificates are issued a week later. Make all the Journal entries. (See page 39.)

EXERCISE 62.—Before providing anything for possible bad debts in the ensuing year, a company's Revenue account showed a Net Profit of $9000. It was decided to set aside $1200 as a Reserve for Bad Debts, and $500 as a special Bonus, after which a Cash Dividend of 6 per cent. and a Stock Dividend of 5 per cent. were declared on a Paid Up Capital of $6000. The cheques and stock certificates were issued in due course. Make the required Journal entries.

EXERCISE 63.—The foregoing company in its next business year incurred the following losses through Bad Debts:

Note against Geo. Green for $350 ... Settled at 30% of its face.
Note against W. Stewart " $260 .... Settled at 40% of its face.
Account " Thos. Brown " $450 ... Settled at 60 cents on the $.

Show entries made at the time of settlement, also those made at the end of the year previous to making the Company's annual financial statement.

Organization Account. Preliminary Expense Account. When a new company is organized there are usually a great many expenses of a kind not likely to occur again, such as promoters' expenses, law fees, cost of charter, etc. In large concerns, such as Fire and Life Insurance companies, and quite frequently in mercantile or manufacturing companies, these expenses are usually so great as to make it absolutely unfair to charge them all against the business of the first year. This is overcome by opening a special account called either "Organization" account or "Preliminary Expense" account, against which all items of this nature are charged, and, instead of treating the whole expense as a loss to the business for the current year it is spread over a number of years varying according to the amount of the account and the nature of the business. To illustrate: Suppose that in the organization of a large manufacturing company the expenses of this nature amounted altogether to $2,000, of which $800 consisted of cash and the remaining $1,200 of stock issued to promoters in payment of services rendered, the entry in the books should be

Organization Account	$2,000	
To Cash		$ 800
" Capital Stock		1,200

At the end of the year instead of closing Organization account into Loss and Gain like the ordinary Expense account only a portion of it is considered a loss and the balance is carried forward as an Asset to the following year. For instance, if the directors of the above company consider it advisable to spread the $2,000 over a period of four years, a Journal entry would be made at the end of each of the four years as follows:

Loss and Gain	$500	
To Organization Account		$500

This would appear in the Revenue Account as an expense of $500 in each of the four years. At the end of the first year the Balance Sheet would show Organization Account as an Asset of $1,500; at the end of the second year $1,000; at the end of the third $500; and at the end of the fourth it would have entirely disappeared.

In the same way "Good Will" or any other asset of an intangible or fictitious nature may be written off, if the directors deem it advisable. The last-named account is quite frequently left on the books of a limited

company at its original amount, which, of course, should be its cost to the company.

Impairment of Capital Account.—The business of a Joint Stock Company, like that of an unincorporated concern, is liable at the end of the financial year to show a Loss instead of a Gain. If the company has a Reserve account this is readily adjusted by transferring a sufficient amount from the Reserve to the Loss and Gain account as explained on page 68. But if no Reserve account exists the balance of the Loss and Gain account may be carried below the ruling to the Debit side as a first charge against next year's profits, or it may be carried to a special account for the purpose, called "Impairment of Capital," or any other suitable name. No dividends should be declared until the Losses indicated by this account have been wiped out by subsequent profits or by an Assessment upon the Shareholders. An Assessment would not be made unless the company was really handicapped for cash.

Supposing a company to have lost during the year $6,000, its Loss and Gain account will likely show a large debit balance. If instead of carrying the balance below the ruling it has been decided to open an "Impairment of Capital" account the entry would be

Impairment of Capital..............	$......	
To Loss and Gain		$......

Unfortunately such an account is seldom allowed to appear on the balance sheet of a company, but is generally covered up by an inflation of the Assets or in some other way.

EXERCISE 64.—The Watson Grocery Company is incorporated with an Authorized Capital of $50,000.00 divided into 1,000 shares of $50.00 each. T. F. Watson subscribes and pays for 400 shares and is given 30 shares for his services as Promoter. The other subscribers pay cash in full of their subscriptions as follows: Adam Brown, 80 shares; Charles Dewar, 75 shares; Edward Frame, 120 shares; George Hamilton, 90 shares; Isaac Jones, 60 shares; and Kenneth Long 40 shares. At the end of the year the books of the company show a Net Profit of $8,000.00. The directors decide to write $2,000.00 off the Organization account, to declare a dividend of 10 per cent. on the paid-up capital and to carry the balance of the profits to Reserve account. (*a*) Make Jour-

nal entries at the commencement and at the close of the year. (*b*) If the Company had lost $10,000.00 during the first year how should this have been dealt with in the books at the end of that period?

Conversion of a Partnership into a Joint Stock Company. - A very large proportion of the more important business concerns of Canada are now conducted as Joint Stock Companies. We have already pointed out in the first chapter some of the reasons which have prompted business men to make the change; we shall now deal with the problem which confronts the bookkeeper who has charge of the accounts at the time the Company is incorporated. The explanations given in connection with the exercises which follow should be sufficient to enable the average student to do such work without difficulty.

Exercise 65.—W. J. Ross and H. T. Gough are partners in a lumber business, Ross having a 3/5 interest and Gough 2/5. Their Assets consist of Plant $8,000, Lumber $20,000 and Bills Receivable $6,000; their Liabilities are Bills Payable $7,000 and Accounts Payable $800. The business is incorporated as a Joint Stock Company under the name of the New Ontario Lumber Company, Limited, with an authorized capital of $50,000, of which it is agreed that $30,000 fully paid up stock shall be given to Ross and Gough for the net assets and good will of their business. The others pay cash in full of their subscriptions as follows:

D. Hoskins	$7,500
W. J. Osborne	3,000
R. Schurman	5,000

(*a*) Make Journal entries to close the books of the firm of Ross & Gough.

(*b*) Make Journal entries to open new books for the company.

Answer.—(*a*) Firm Books. The firm's Assets appear on the old books at $34,000, and its Liabilities at $7,800, thus showing a Net Valuation of $26,200, of which $15,720 stands at the credit of Ross, and $10,480 at the credit of Gough. The new Company agrees to take over the Assets, pay the Liabilities, and issue $30,000 Paid-up Stock to the members of the old firm in full settlement. The $30,000 Stock is thus given for a business whose Net Assets are only $26,200; the extra $3,800 must therefore be considered as having been paid for what is commonly

called the Good Will of the business, that is, the amount given in consideration of its established trade connection which it might take a new concern years to work up. To the firm of Ross & Gough it is a clear profit, 3/5 of which, or $2,280, belongs to Ross and the remainder, $1,520, to Gough. The Liabilities, having been redeemed so far as the firm of Ross & Gough is concerned, must be debited, and the Assets having been disposed of, must be credited, the purchasing company being charged with the amount agreed upon.

Entries to be made in the firm books are therefore as follows:

(1).	New Ontario Lumber Co., Limited	$30,000	
	Bills Payable	7,000	
	Personal Accounts (mentioned separately).	800	
	To Plant		$8,000
	To Lumber		20,000
	To Bills Receivable		6,000
	To Ross (3/5 value of Good Will)		2,280
	To Gough (2/5 value of Good Will)		1,520

The above entry, when posted, will close all of the accounts except three, namely, the New Ontario Lumber Company with a debit of $30,000, and the capital accounts of Ross and Gough with credits of $18,000 and $12,000 respectively.

(2).	Shares of New Ontario Lumber Co. Stock	$30,000	
	To the New Ontario Lumber Co., Limited		$30,000

Received in settlement of transfer of business.

(3).	W. J. Ross	$18,000	
	H. T. Gough	12,000	
	To Shares of New Ontario Lumber Co., Limited.		$30,000

Shares taken by Ross and Gough in settlement of their respective interests in the business as shown by their capital accounts.

The above entries might have been condensed into one but only at the sacrifice of clearness. The student is recommended to follow the foregoing method.

(*b*) COMPANY BOOKS. The Subscription Book would have been signed by Ross and Gough respectively, as well as by the other three shareholders, previous to obtaining a Charter of Incorporation. The

shares having been allotted by the directors, the following entries would be made in the Company's books :—

(1)	W. J. Ross	$18,000	
	H. T. Gough	12,000	
	D. Hoskins	7,500	
	W. J. Osborne	3,000	
	R. Schurman	$5,000	
	To Capital Stock		$45,500

Par Value of Stock allotted.

Or

Shareholders	$45,500	
To Capital Stock		$45,500

(2)	Cash	$15,500	
	To D. Hoskins		7,500
	" W. J. Osborne		3,000
	" R. Schurman		5,000

Cash paid by above in full of their Subscriptions.

Or

Cash	$15,500	
To Shareholders		$15,500

(3)	Plant	$8,000	
	Lumber	20,000	
	Bills Receivable	6,000	
	Good Will	3,800	
	To Bills Payable		$7,000
	" Accounts Payable (mentioned separately)		800
	" Ross		18,000
	" Gough		12,000

Assets taken over and Liabilities assumed by the Company on purchasing the business of Ross & Gough

Instead of crediting Ross and Gough separately, "Shareholders" would be credited for $30,000 if the collective account had been used in the other entries. The three foregoing entries, when posted to the General Ledger, will leave the various Assets (including Good Will) debited for $53,300, the Liabilities credited for $7,800, and the Capital Stock account credited for $45,500. Stock certificates would be issued to each of the shareholders for their respective subscriptions, and the

Stock Ledger immediately written up in the manner already described in the preceding pages.

Exercise 66. – If in Exercise 65 the New Ontario Lumber Company, Limited, had decided to continue using the old firm's Books of Account, instead of opening new ones, what Journal entries should have been made at the time of incorporation ?

Answer. – The firm's Balance Sheet previous to incorporation stood as follows :

Assets.		*Liabilities.*	
Plant	$8,000	Bills Payable	$7,000
Lumber	20,000	Accounts Payable	800
Bills Receivable	6,000	W. J. Ross (Capital) ...	15,720
		H. T. Gough (Capital) .	10,480
	$34,000		$34,000

The new company, in purchasing the business from Ross & Gough, paid $3,800 more for it than the face value of the Net Assets, as stated in the above Balance Sheet. This extra amount is charged against Good Will and must henceforth be treated as an asset on the Company's books. After the transfer of the business has been made and stock certificates issued, the Balance Sheet of the new concern should stand as follows :

Assets.		*Liabilities.*	
Cash (Received from Shareholders)	$15,500	Bills Payable	$7,000
Plant	8,000	Accounts Payable	800
Lumber	20,000	Capital Stock	45,500
Bills Receivable	6,000		
Good Will	3,800		
	$53,300		$53,300

The following Journal entries when posted to the ledger from which the first Balance Sheet was prepared will give the results shown in the second one :

(1) Good Will	$3,800	
To W. J. Ross, 3/5 of value)		$2,280
" H. T. Gough, 2/5 "		1,520
Amount allowed them for Good Will of business.		

This entry when posted leaves Ross credited for a total of $18,000 and Gough for $12,000.

(2)	W. J. Ross	$18,000	
	H. T. Gough	12,000	
	To Capital Stock		$30,000

For shares allotted in settlement of purchase of business.

(3)	Cash	$15,500	
	To Capital Stock		$15,500

Received for shares sold to other subscribers.

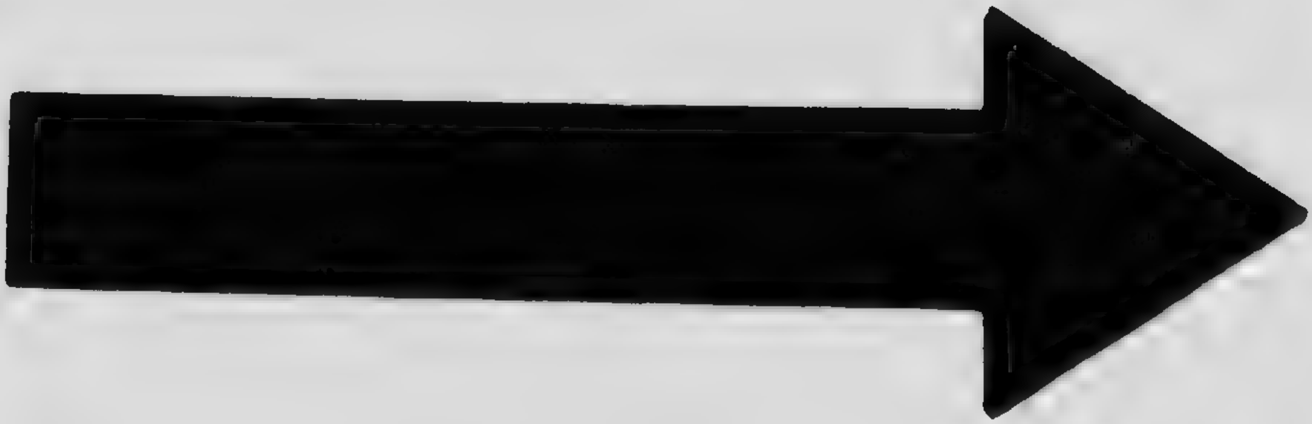
In the Ledger all accounts should be balanced at the date of taking over the business, carrying the balances forward and re-heading the accounts; then write or stamp the name of the new company on the left-hand side of the new heading.

EXERCISE 67. – W. Brooks and J. W. Wiggins are equal partners in a Boot and Shoe business. They organize the Royal City Boot and Shoe Mfg. Co. with an Authorized Capital of $40,000, divided into 400 shares of $100 each, and transfer their business to the new concern for $20,000 fully paid-up stock. The other shareholders are to pay their subscriptions in three instalments of 50%, 30% and 20% respectively. The Stock List is as follows:

W. Brooks	$10,000
J. W. Wiggins	10,000
T. F. Wright	5,000
R. Schurman	4,000
W. J. Osborne	3,000
D. Hoskins	6,000
Total	$38,000

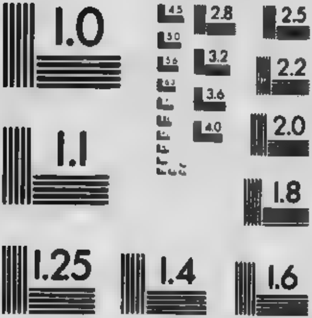
The firm's affairs stood as follows: Assets Plant, $9,000; Goods, $8,000; Sundry Debtors, $2,000; Notes Receivable, $7,000, Liabilities—Notes Payable, $8,600; Sundry Creditors, $1,000; W. Brooks (Capital), $8 200; J. W. Wiggins Capital), $8,200. Supposing the same Books of Account are to be used by the new company, what Journal entries would be necessary at the time of transferring the business and subsequently when the instalments are paid?

EXERCISE 68. – If the above-mentioned Royal City Boot and Shoe Company opened an entirely new set of books, what Journal entries would be made at the time of the transfer and what entries subsequently when the instalments are paid?



MICROCOPY RESOLUTION TEST CHART

(ANSI and ISO TEST CHART No. 2)



EXERCISE 69. – New books having been opened for the above company, what entries should be made to close the books of the firm of Brooks and Wiggins?

EXERCISE 70. – C. R. McCullough and J. W. Westervelt are partners in the printing business, sharing gains and losses equally. Their affairs stand as follows:

Assets.		*Liabilities.*	
Cash	$2,000	Bills Payable	$6,000
Plant	1,000	Creditors on Open Acct	2,000
Bills Receivable	3,400	C. R. McCullough (Capital)	6,900
Goods	600	J. W. Westervelt (Capital)	2,300
Book Debts	1,200		
	$17,200		$17,200

They convert their business into a Joint Stock Company incorporated with an authorized capital of $25,000, under the name of the Wentworth Printing Co., Limited. The other subscribers are, D. Hoskins $5,000, R. Schurman $4,000, and T. F. Wright $2,000, who pay cash in full of their subscriptions. It is agreed that the Plant be taken over at a valuation of $8,500, the Goods at $500 and the Notes and Book Debts at 10 per cent. discount. McCullough and Westervelt take fully paid up shares in settlement of their respective interests, cash being paid them in lieu of the fractional portion of a share. Make opening entries in the company's new books.

ANSWER. In answering the above question, enter up Plant and Goods at exactly what they cost the company. Bills Receivable and Book Debts are rarely ever considered worth 100 per cent. but nevertheless, must appear in the books at their face value. The discount spoken of in the question is not deducted from the debit side of the several accounts but is set aside as a "Reserve" against which to charge any losses that might occur from this source. It should not be entered to the credit of Loss and Gain, as that would make it appear that the company had realized a profit equal to 10 per cent. of the face of the Notes and Accounts Receivable, which is not necessarily the case.

Such deductions from accounts or notes should always be considered as a Reserve to offset possible losses in realizing. Observe also that the

partners share gains and losses equally. It will be seen that the Assets which are listed at $17,200 bring only $15,150, thus resulting in a loss of $2,060 to the firm of McCullough & Westervelt. This being shared equally reduces the capital of McCullough to $5,870, and the capital of Westervelt to $1,270. McCullough will therefore get $5,800 stock and $70 cash while Westervelt will get $1200 stock and $70 cash. The entries to be made are as follows,

(1)	Cash	$2,000	
	Plant	8,500	
	Goods	500	
	Bills Receivable	3,400	
	Book Debts (mentioned separately)	1,200	
	To Reserve for Bad Debts		$ 460
	" Bills Payable		6,000
	" Creditors (mentioned separately)		2,000
	" McCullough		5,870
	" Westervelt.		1,270
(2)	McCullough	$5,870	
	Westervelt	$1,270	
	To Cash		$ 140
	" Capital Stock		7,000
3)	Cash	$11,000	
	To Capital Stock		$11,000

It is not necessary to introduce the names of other Shareholders into the General Ledger although this may be done if desired as explained in the preceding pages.

EXERCISE 71.—Write up the General Ledger of the firm of McCullough and Westervelt using therein the accounts as stated in the balance sheet given in Exercise 70. The company having decided to use new books make necessary Journal and Ledger entries to record the transfer and close the old books.

EXERCISE 72.- Again write up the General Ledger of the firm of McCullough and Westervelt from the balance sheet in Exercise 70. Assuming that the company has decided to use this Ledger instead of purchasing a new one, make necessary Journal entries, post and take a trial balance.

EXERCISE 73. – Write up the Stock Ledger of the above limited company using any one of the three forms explained in Chapter III.

EXERCISE 74. During the first business year after the organization of the aforesaid company Hoskins transfers $3000 stock at $95 per share to R. Schurman. Write up correct form of transfer and acceptance and make necessary entries in all the company's books using the same ones as you have written up in answers to Exercises 72 and 73.

Amalgamation of Companies. —During the past few years there has been not only an unprecedented increase in the number of Companies incorporated, but a growing tendency on the part of those companies to afterwards unite their forces by amalgamating under one corporate name. As it is important that the student should know the procedure governing such amalgamations we here quote that portion of the Ontario Companies' Act which deals with the matter: "Section 103. (1 Any two or more companies incorporated under the laws of this Province and having objects within the scope of this Act may, in the manner herein provided, unite, amalgamate and consolidate their stock, property, businesses and franchises, and may enter into all contracts and agreements therewith necessary to such union and amalgamation.

"(2) The directors of the companies proposing to so amalgamate or consolidate as aforesaid, may enter into a joint agreement, to be executed under the corporate seal of each of the said companies, for the amalgamation and consolidation of the said companies, prescribing the terms and conditions thereof, the mode of carrying the same into effect, the name of the new company, of which the last word shall be the word, 'Limited', the number of the directors thereof, and who shall be the first directors thereof and their places of residence, the number of shares of the capital stock, the amount of par value of each share, and the manner of converting the capital stock of each of the said corporations into that of the new corporation, and how, and when directors of the new corporation shall be elected, with such other details as they deem necessary to perfect the new organization and the consolidation and amalgamation of the said companies, and the after management and working thereof.

"(3) The agreement shall be submitted to the shareholders of each of the said companies at a meeting thereof called in accordance with the by-laws and held separately for the purpose of taking the same into consideration.

"(4) At such meetings of shareholders, the agreement shall be considered and a vote taken for the adoption or rejection of the same, and each share shall entitle the holder thereof to one vote, and the ballots shall be cast in person or by proxy; and if two-thirds of the votes of all the shareholders of each of such companies are for the adoption of the agreement, then that fact shall be certified upon the agreement by the secretary of each of such companies under the corporate seal thereof; and if the agreement is so adopted at the respective meetings of the said companies, the companies by their joint petition may, through the Provincial Secretary, apply to the Lieutenant-Governor in Council for letters patent confirming the said agreement.

"(5) With their joint petition, the companies shall deposit with the Provincial Secretary, an original of the agreement, and shall furnish such further and other documents and evidence in this behalf as the Provincial Secretary may require, and the Lieutenant-Governor in Council may by letters patent confirm such agreement, and on and from the date of the letters patent, confirming the said agreement, and from such date only, the said companies shall be deemed and taken to be amalgamated and consolidated and to form one company by the name in the said agreement and letters patent provided, and the consolidated company shall possess all the properties real, personal and mixed, rights, privileges, and franchises and be subject to all the liabilities, contracts, disabilities and duties of each of the companies consolidated."

EXERCISE 75.—The Blackman Bread Co., Limited, and the Robertson Bread Co., Limited, both of Toronto, amalgamate under the name of the Metropolitan Bread Co., Limited. The assets and liabilities of both companies are taken over according to the subjoined statements and shares of the new company's stock issued to the shareholders in place of the old shares held by them which are now surrendered. The Blackman Co.'s balance sheet stands as follows:

Assets.		*Liabilities.*	
Plant	$6,000	Notes Payable	$2,000
Goods	2,000	Capital Stock	6,500
Cash	500		
	$8,500		$8,500

The Robertson Company's balance sheet is as follows:

Assets.		*Liabilities.*	
Plant	$9,000	Accounts Payable	$ 800
Goods	1,500	Notes Payable	3,000
Cash	900	Capital Stock	7,600
	$11,400		$11,400

Make the necessary Journal entries to open the books of the new Company.

ANSWER.—(1) Plant	$6,000	
Goods	2,000	
Cash	500	
To Bills Payable		$2,000
" Shareholders Blackman Bread Co.		6,500

The above entry brings into the books of the new company the assets and liabilities of the old company and credits the Blackman Co. for the amount due them in shares according to agreement.

(2) Plant	$9,000	
Goods	1,500	
Cash	900	
To Accts. Payable (Mentioned Separately)		$ 800
" Bills Payable		3,000
" Shareholders of the Robertson Bread Co.		7,600

The above entry brings into the new books the assets and liabilities of the Robertson Co. and credits the shareholders thereof with the amount due them in stock from the new concern.

(3) Shareholders of the Blackman Co.	$6,500	
" " Robertson Co.	7,600	
To Capital Stock		$14,100

For shares of the Metropolitan Bread Co., Limited, issued to the shareholders of the amalgamated companies, the certificates formerly held by them having been surrendered.

EXERCISE 76.—Make Journal entries to close the books of the Blackman Co, and the Robertson Co. respectively. (See Exercise 75.)

ANSWER. Entries for Blackman Bread Co.

(1) Metropolitan Bread Co., Limited	$6,500	
Bills Payable	2,000	
To Plant		$6,000
" Goods		2,000
" Cash		500

For transfer of business to Metropolitan Co. at price agreed upon.

(2) Capital Stock	$6,500	
To Metropolitan Bread Co., Limited		$6,500

For redemption by Metropolitan Co. of stock certificates held by shareholders of Blackman Co. who have received shares of Metropolitan stock instead.

Entries to close the Robertson Co.'s books would be made in the same way.

EXERCISE 77. If in the above amalgamation the shareholders of the Blackman Co. had been given $7,800 stock for their business, what effect would that have upon the entries to be made in the books of the new concern?

ANSWER.—The entries would be exactly the same as given in Exercise 75, except that "Good Will $1,300" would appear among the assets brought into the concern and the shareholders of the Blackman Co. would be credited for this additional amount. The first entry would then read as follows:

Plant	$6,000	
Goods	2,000	
Cash	500	
Good Will	1,300	
To Bills Payable		$2,000
" Shareholders of Blackman Co.		7,800

In the entry for the issue of the new stock, the Blackman Co., would be debited and Capital Stock credited for $1,300 more than in Exercise 75.

Preference Stock.—Preference Stock is stock which takes priority over the ordinary stock of a company to the extent set forth in its Letters Patent of Incorporation or in the special By-law passed for this purpose. The preference may consist of a stated rate per cent. dividend to be paid to holders of such stock before any dividends are paid to the holders of ordinary shares or it may carry with it almost any other special advantage which the Directors of the Company or the original Incorporators may have desired to attach to it. Preferred Stock is said to be Cumulative when in case of a shortage in dividends in any one year the deficit is payable out of the profits of the following years before a dividend can be declared on the Common stock. For an excellent example of shares of this nature the student is recommended to read carefully the conditions of the issue of the stock of the Wm. A. Rogers Co., Limited, as set forth in the President's letter which forms part of their Prospectus. (See page 11.)

When the right to issue Preference Stock has not been given in the Letters Patent, companies incorporated under the Ontario Companies' Act must proceed according to the requirements of that Act as laid down in Section 22 which reads as follows :

"(1) The directors may make a by-law for creating and issuing any part of the capital stock as preference stock, giving the same such preference and priority as respects dividends and otherwise over ordinary stock as may be declared by the by-law.

"(2) The by-law may provide that the holders of the shares of such preference stock shall have the right to select a certain stated portion of the board of directors, or may give them such other control over the affairs of the company as may be considered expedient.

"(3) No such by-law shall have any force or effect whatever until after it has been unanimously sanctioned by a vote of the shareholders present in person, or by proxy, at a general meeting of the company; provided, however, that if the by-law be sanctioned by three-fourths in value of the shareholders of the company, the company may, through the Provincial Secretary, petition the Lieutenant-Governor in Council for an order approving the said by-law, and the Lieutenant-Governor may

if he sees fit, approve thereof, and from the date of such approval the by-law shall be valid and may be acted upon.

"(4) Holders of shares of such preference stock shall be shareholders within the meaning of this Act, and shall in all respects possess the rights and be subject to liabilities of shareholders within the meaning of this Act, provided, however, that in respect of dividends and otherwise, they shall be, against the ordinary shareholders, entitled to the preference and rights given by such by-law.

"(5) Nothing in this section contained or done in pursuance thereof shall affect or impair the rights of creditors of the company."

The entries made in the books of the company are exactly similar to those made for the issue of ordinary shares except that two separate parts of the Capital Stock account must be kept, one for the Common stock, and one for the Preferred stock. For example, if a company paid for a Patent $25,000, of which $5,000 was Preferred Stock and the rest Common, the Journal entry would be made as follows:

Patent	$25,000	
To Capital Stock (Preferred)		$5,000
" " " (Common)		20,000

In the Stock Ledger the accounts of Preference shareholders must be kept distinct from those of Ordinary shareholders, and the preference stock certificates should state clearly the conditions of the preference.

EXERCISE 78.—The Hargrave Manufacturing Co., Limited, and the McCort Manufacturing Co., Limited, both of Toronto amalgamate under the name of the Hargrave, McCort Manufacturing Co., Limited, with a share capital of $500,000 divided into 5000 shares of $100 each, $300,000 being Preference Stock entitled to Preferential Cumulative Dividends of 7 per cent. per annum, and the remainder consisting of Ordinary Stock. It is agreed that $200,000 Preference Stock and $100,000 Ordinary Stock shall be given for the Hargrave Company's business, and $100,000 Preference Stock for the McCort Company's business. $5000 Ordinary Stock is voted to J. H. Hargrave in consideration of his services in bringing about the amalgamation. The rest of the Common Stock is sold on

the market at par for cash. The balance sheets of the two Companies are given below.

Balance Sheet of the Hargrave Company, Limited.

Liabilities.		*Assets.*		
Bills Payable	$7 000	Cash		$16,000
Mortgage Payable	10,000	Book Debts	$8,000	
Int. Accrued on Mortgage	200	Bills Rec	20,000	
Capital Stock	250,000		$28,000	
		Less 10% provis. for Bad Debts	2,800	
				$25,200
		Goods on hand		80,000
		Machinery, etc		60,000
		Building, etc		86,000
	$267,200			$267,200

Balance Sheet of the McCort Company, Limited.

Liabilities.		*Assets.*	
Bills Payable	$5,000	Cash	$8,000
Loss & Gain Cr	3,300	Book debts	5,000
Capital Stock	100,000	Bills Rec	9,000
		Int accrued on Bills Rec.	300
		Machinery, etc	56,000
		Goods on hand	30,000
	$108,300		$108,300

Make the required Journal entries and open the books of the new company.

EXERCISE 79.—Post the above Journal entries to Ledger and take off a Balance Sheet showing the present condition of the new concern.

EXERCISE 80.—Write up the Ledger of the Hargrave Company from Balance Sheet given in Exercise 78; make journal entries necessary to record the transfer and close the books. Post the same and show ledger properly balanced.

EXERCISE 81.—Write up a Ledger of the McCort Company in the same manner, making the necessary journal entries to record the transfer and close the books. Show ledger properly balanced.

Exercise 82.—At the end of the first year the net profits of the Hargrave, McCort Co., Limited, were $16,000; this amount was paid as a dividend to the holders of the Preference shares whose certificates it will be remembered entitled them to a Cumulative Dividend of 7 per cent. At the end of the second year the net profits were $28,000, and at the end of the third year $18,000, both of which amounts were distributed as dividends. Show the ledger entries for the declaration and payment of each dividend.

Exercise 83.—The following four limited companies amalgamate under the name of the Ontario Tobacco Company, Limited, with an Authorized Capital of $1,000,000, consisting of 6,000 shares of $100 each of 7 per cent. Cumulative Preference Stock and 4,000 shares of Ordinary Stock of $100 each. The subjoined statement shows the Capitalization and Assets of each concern and also the amount of Preference Stock given in settlement by the new Company to the shareholders of the old companies. Fifty shares of Preference Stock and 100 shares of Common Stock are given to W. H. Steele for his services in promoting the consolidation. The remainder of the Ordinary Stock was sold for cash at par.

Accounts.	Tuckett Co.	Milligan Co.	Scales Co.	Steele Co.
Capital Stock	75,000	90,000	75,000	50,000
Cash	15,000	12,000	13,000	11,000
Goods	40,000	30,000	25,000	18,000
Plant	60,000	25,000	20,000	15,000
Real Estate	125,000	32,000	15,000	18,000
Preference Stock given	300,000	125,000	90,000	80,000

Make Journal entries for opening up the books of the new company.

Exercise 84. The profits of the above mentioned Ontario Tobacco Company, for the first year after the consolidation amounted to $60,000; after paying dividends on Preferred Stock, the balance was distributed as a profit on Ordinary Stock. Make journal entries both for declaration and payment of dividends.

EXERCISE 85. Providing the profits in the foregoing question had amounted to $35,000, what entries should have been made?

Increase or Decrease of Capital Stock.—Any alteration in the amount of the Authorized Capital of companies working under an Ontario charter must be made in accordance with the requirements of Sections 17 and 21 of *The Ontario Companies' Act*, which are quoted below:

"Section 17.—(1) The company at any time after nine-tenths of the Capital Stock of the company has been subscribed and ten per centum thereon paid in, but not sooner, may, by by-law (*a*), provide for the increase of the Capital Stock of the company to any amount which it considers requisite for the due carrying out of the undertaking of the company.

(2) The by-law shall declare the number and value of the shares of the new stock, and may prescribe the manner in which the same are to be allotted; otherwise, the control of such allotment shall vest absolutely in the directors."

"Section 18.—(1) The company, if it sees fit at any time, may, by the by-law, provide for the decrease of the Capital Stock of the company to any amount which it may consider sufficient for the due carrying out of the undertaking of the company and advisable.

(2) The by-law shall declare the number and value of the shares of the stock as so decreased; and the allotment thereof, or the rule or rules by which the same is to be made.

(3) The liability of the shareholders to persons who are, at the time the stock is decreased, creditors of the company, shall remain as though the stock had not been decreased.

"Section 19.—(1) The company may at any time, by by-law, provide for the re-division of the existing shares into shares of smaller or larger amount.

"Section 20.—No by-law for increasing or decreasing the Capital Stock of the company or re-dividing the shares, shall have any force or effect whatever unless it has been sanctioned by a vote of not less than two-thirds in value of the shareholders at a general meeting of the company duly called for considering the by-law, and has afterwards been confirmed by Supplementary Letters Patent.

"Section 21.—(1) At any time not more than six months after the sanction of such by-law the company may petition the Lieutenant-Governor, through the Provincial Secretary, for the issue of Supplementary Letters Patent.

(2) With the petition the company shall produce the by-law and establish to the satisfaction of the Provincial Secretary, or of such other officer as may be charged by him to report thereon, the due passage and sanction of the by-law and if the petition is in respect to the increase or decrease of capital, the bona fide character of the increase or decrease of capital thereby provided for.

(3) Upon due proof so made, the Lieutenant-Governor in Council may, by Supplementary Letters Patent, confirm the by-law, and, with respect to an increase or decrease in capital, may, with the consent of the company, by the Supplementary Letters Patent, fix the amount of such increase or decrease at such sum as to him may seem proper; the notice thereof shall be given forthwith by the Provincial Secretary in *The Gazette*; and, thereupon, form the date of the Supplementary Letters Patent, the shares shall be re-divided, or the Capital Stock of the company shall be and remain increased or decreased, as the case may be, to the amount, in the manner, and subject to the conditions set forth by such by-law and Supplementary Letters Patent; and the whole of the stock as so increased or decreased shall become subject to the provisions of this Act in like manner (so far as may be) as though every part thereof had originally formed part of the stock of the company."

Increase. No bookkeeping entries are necessary for an increase of Authorized Capital, except when a special account is kept for Unsubscribed Stock, in which case this account would be debited and Capital Stock credited for the amount of the increase.

Decrease. As a rule the Capital Stock of a company is decreased only after the real value of the shares has been brought considerably below par by a series of heavy losses. The result of the decrease is a profit to the company for the amount of the reduction, the bookkeeping entries in connection with which are explained in the answer to the exercise given below.

EXERCISE 86.—A company having a Paid-up Capital of $300,000 and a balance on the debit side of Impairment of Capital Account amounting

to $80,000 passed a by-law to decrease the Capital Stock to $200,000, what entries should be made?

Answer.—The amount at the credit of Capital Stock account is to be reduced by $100,000. The change is made in the books by debiting Capital Stock and crediting Reserve for this amount. The Impairment Account should then be closed into Reserve.

(1) Capital Stock	$100,000	
To Reserve		$100,000

For reduction of Capital Stock authorized by Supplementary Letters Patent issued to-day.

(2) Reserve	$80,000	
To Impairment of Capital		$80,000

To close Impairment of Capital Account.

These entries when posted will leave Capital Stock credited with $200,000 and Reserve with a balance of $20,000, which should put the shares of the company in a thoroughly healthy condition. The old certificates held by the shareholders should be returned to the company and new ones for the decreased amounts issued in place thereof. In the Stock Ledger each shareholder would be charged with the amount of his stock reduction. In cases where a balance is standing at the debit of Profit and Loss, the amount gained by decreasing the Capital of the company may be put directly to the credit of this account instead of passing it through Reserve account.

Issuing Shares at a Discount.—The Ontario Mining Companies' Act permits shares to be issued at a discount under certain restrictions; the Dominion Companies' Act also provides for this, while the Ontario Companies' Act is silent on the point. It is extremely doubtful, however, if the holders of shares issued at a discount under the last two Acts would escape liability to creditors in case of the inability of the company to meet its obligations unless this were specially provided for in its charter.

(a) The Ontario Mining Companies' Act.—"Section 6.—(1) Notwithstanding anything to the contrary in the Ontario Companies' Act contained, any mining company (whose charter does not contain a provision that no liability beyond the amount actually paid, or agreed to be paid, upon shares in such company by the holder thereof shall attach to such holder, may, for the lawful purposes of the company and no other, from time to time, by by-law, to be expressly sanctioned by the

company and to be made for the purpose, dispose of shares in the company at such premium, or at such discount and on such terms and conditions as to the company seems to be advantageous and proper; provided, however, that a copy of such by-law shall within twenty-four hours after the by-law was sanctioned be by registered letter transmitted to the Provincial Secretary, and that such copy shall be verified as a true copy by the joint affidavit of the president and secretary, and if there are no such officers, or they, or either of them, are or is, at any proper time out of the Province, or otherwise unable to make the same, by affidavit of the secretary or president or one of the directors, as the case may require; and if the president or secretary does not make or join in the affidavit, the reason thereof shall be stated in the substituted affidavit; and any company which refuses or fails to comply with the provisions of this section relative to the transmission of a copy of the by-law to the Provincial Secretary, shall incur a penalty of $20 for every day during which the default continues

(2) Every stock-certificate issued in respect to any share sold or disposed of by the company under the provisions of this section shall bear upon the face thereof distinctly written or printed in red ink after the name of the company, the words "Operating under the Ontario Mining Companies' Act" and where such stock certificates are in respect of shares sold or disposed of at a discount, the words "Issued by the company at a discount of - per centum," the rate of discount to be mentioned as a part of such words.

Section 7. No share in a mining company shall be issued, sold or to be in any other manner disposed of at a rate less than par; unless under the authority of a by-law passed by virtue of this Act; and any director, officer or agent of a company who acts in contravention of this section shall, on conviction thereof, be liable to a fine of $200 and to the costs of conviction, and in default of payment of such fine and costs may be sentenced to imprisonment for a period not exceeding three months."

(b) THE DOMINION COMPANIES' ACT.--Section 35, Clause 2. "No by-law for the issue, allotment or sale of any portion of the unissued stock at any greater or at any less premium than that which has been previously authorized at a general meeting, and no by-law for the remuneration of the president or any director, shall be valid or acted upon until the same has been confirmed at a general meeting."

EXERCISE 87.—The Georgian Bay Mining Company, Limited, is incorporated under the Ontario Mining Companies' Act with an authorized Capital of $500,000, divided into 500,000 shares of $1 each. The incorporators receive 200,000 of these shares in payment for their mining property ; the rest of them are sold at a discount of 40 per cent. Make Journal entries.

ANSWER.—An account with "Discount on Shares" should be opened and charged with the 40 per cent. discount on the shares issued at that price. This account should be dealt with in much the same way as "Organization" or "Goodwill," with this difference, that in the Balance Sheet the "Discount on Shares" should be deducted from the Capital account instead of treating it as an Asset ; in this way the true Capital is shown. The following entries are required by the question :

(1) Mining Property............ $200,000
To Capital Stock............ $200,000
For shares issued in payment of Mining Property.

(2) Cash.................. $180,000
Share Discount............. 120,000
To Capital Stock.................. $300,000
For sale of shares at 60 cents each.

The stockholders would be credited in the Share Ledger for the par value of the shares in the usual way

EXERCISE 88.—The shareholders of the above company donate 10 per cent. of their share holdings to be re-sold to provide funds for special development purposes. Make Journal entry.

ANSWER.—TREASURY STOCK. Stock donated to a company in this manner is called Treasury Stock and may be sold by the company at any price obtainable without violating the requirements of the Act. Treasury Stock account should be debited with the face value of the stock when donated and credited with the par value of the shares subsequently sold. An account called "Development Capital" or "Working Capital" should be opened for the purpose of keeping a correct record of the income and expenditure of funds thus raised. The Journal entry is

Treasury Stock.................... $50,000
To Working Capital.................. $50,000
For donation of 50,000 shares by stockholders.

In the Stock Ledger each shareholder's account would be charged with a transfer equal to ten per cent. of the stock held by him and a new account styled "Treasury Stock" would receive credit for these several amounts.

EXERCISE 89.—Forty thousand shares of the above Treasury stock were sold at 45 cents per share. Make entry.

ANSWER.—In this case the discount on shares would not be charged to the Share Discount account but to "Working Capital," which previous to the sale stood credited with the entire par value of the shares donated.

Cash	$18,000	
Working Capital	22,000	
To Treasury Stock		40,000

This entry when posted will show that $10,000 Treasury Stock still remains unsold and that Working Capital has been reduced from $50,000 to $28,000, of which $18,000 is Cash and $10,000 Treasury Stock.

EXERCISE 90.—The Sudbury Mining Company is organized with an Authorized Capital of $600,000, divided into 2,400,000 shares of 25 cents each. The incorporators receive $350,000 fully paid up shares in settlement of several mining properties transferred to the Company. Of the remaining shares, 400,000 are sold at 18 cents per share, 200,000 at 16 cents, and the rest at 14 cents Cash. Additional funds being subsequently required for development purposes, the shareholders donated pro rata 20 per cent. of their stock to the Company to be sold for this purpose. Of these shares 300,000 were sold at 12 cents each, 100,000 at 11 cents each and the remainder at 9 cents. Make necessary Journal entries. In order to show your method of dealing with the Treasury Stock in the Share Ledger, write up in that book the account of one of the original incorporators, one of the purchasers at 18 cents and one at 9 cents.

EXERCISE 91.—If 50,000 shares of mining stock (par value 25 cents) were issued at 30 cents per share, what entry would be made?

ANSWER.—The premium received should be credited to Share Premium account or to Reserve account, preferably the latter. Profits

realized in marketing the company's shares should be considered entirely apart from the ordinary profits of the business.

Cash	$15,000	
To Capital Stock		$12,500
" Reserve		2,500

Forfeiture of Shares. Joint Stock Companies may enforce payment of all calls and interest thereon by action in any Court of competent jurisdiction; or if considered preferable, may summarily forfeit the shares whereon such calls have not been paid.

(a) THE ONTARIO COMPANIES' ACT.—Sec. 34. The company may enforce payment of all calls and interest thereon by action in any Court of competent jurisdiction; and in such action it shall not be necessary to set forth the special matter, but it shall be sufficient to state that the defendant is a holder of one share or more, stating the number of shares, and is indebted in the sum of money to which the calls in arrear amount, in respect of one call or more upon one share or more, stating the number of calls and the amount of each whereby an action has accrued to the company under this Act; and a certificate under the seal and purporting to be signed by any officer of the company, to the effect that the defendant is a shareholder, that such call or calls has or have been made and that so much is due by him and unpaid thereon, shall be received in all Courts as prima facie evidence to that effect."

Section 35. If after such demand or notice as by the special Act, or by the letters patent or by-laws of the company is prescribed, any call made upon any share or shares is not paid within such time as by such Act or by such letters patent or by-laws may be limited in that behalf, the directors in their discretion by resolution to that effect, reciting the facts and duly recorded in their minutes, may summarily forfeit any shares whereon such payment is not made; and the same shall thereupon become the property of the company and may be disposed of as, by by-law or otherwise, the company may ordain."

(b) THE DOMINION COMPANIES' ACT.—Section 41. If after such demand or notice as is prescribed by the letters patent or by the by-laws of the company any call made upon any share is not paid within such time as, by such letters patent or by the by-laws, is limited in that behalf, the directors in their discretion by vote to that effect duly recorded in their

minutes, may summarily declare forfeited any shares whereon such payment is not made; and the same shall thereupon become the property of the company, and may be disposed of as, by the by-laws of the company or otherwise, they prescribe; but, notwithstanding such forfeiture, the holder of such shares at the time of forfeiture shall continue liable to the then creditors of the company for the full amount unpaid on such shares at the time of forfeiture, less any sums which are subsequently received by the company in respect thereof."

"Section 42. The directors may, if they see fit, instead of declaring forfeited any share or shares, enforce payment of all calls, and interest thereon, by action in any Court of competent jurisdiction; and in such action it shall not be necessary to set forth the special matter, but it shall be sufficient to declare that the defendant is the holder of one share or more, stating the number of shares, and is indebted in the sum of money to which the calls in arrear amount, in respect of one call or more, upon one share or more, stating the number of calls and the amount of each call, whereby an action has accrued to the company under this Act; and a certificate under their seal, and purporting to be signed by any officer of the company, to the effect that the defendant is a shareholder, that such call or calls has or have been made and that so much is due by him and unpaid thereon, shall be received in all Courts as prima facie evidence thereof."

EXERCISE 92. Wm. Scott subscribed for thirty shares of stock of $100 each in the Toronto Coal & Wood Co. Limited, and pays thereon calls amounting to 40 %. Failing to pay subsequent calls his shares are forfeited by the company. Make Journal Entry.

ANSWER.—The entry to be made in this case depends somewhat upon the entries made at the time the stock was issued. If individual accounts were opened for the shareholders in the Gene[illegible]dger and Capital Stock credited for the entire Subscribed Capital, S[illegible] account at the date of forfeiture would show a debit of $3,000 (par value of thirty shares and a credit of $1,200 (calls paid by him). These shares now become the property of the Company and should be kept track of in a separate account called Forfeited Stock. The company has now in its possession shares amounting to $3,000 on which it has received payments from Scott amounting to $1,200; it is clear therefore, that it realizes a profit of

$1,200 by the forfeiture, which closes the company's dealings with Scott in respect to these shares. The Journal Entry should be

Forfeited Stock	$3,000	
To Wm. Scott		$1,800
" Reserve Account		1,200

This entry when posted will balance Scott's account in the Ledger The amount credited to Reserve might have been credited to Loss & Gain, but unless the business is of such a nature that it contemplates making a substantial portion of its profits in this way it is better to handle it as above. The Reserve Account may be closed into Loss & Gain at any time. In the Stock Ledger Scott's account would be closed into a special one headed Forfeited Stock.

EXERCISE 93.—In case the company subsequently sold the above thirty shares to Jas. Brown for cash, at par, what entry would be made?

ANSWER.—This transaction would be dealt with in exactly the same way as an original subscription and payment of stock excepting that Forfeited Stock would be credited instead of Capital Stock. The latter account was credited when the stock was issued to Scott and therefore when re-issued must not be credited to this account again but to Forfeited Stock. In the Share Ledger James Brown would be credited in the usual way and Forfeited Stock account debited.

EXERCISE 94.—Jas. Smith subscribes for sixty shares of the Hamilton Leather Company's Stock at par and pays calls amounting to 40%. His shares were then forfeited owing to non-payment of subsequent calls. A week later the forfeited shares were sold by the Company to Thos. Green at par for cash. Make entries at the time of forfeiture and also when subsequently sold to Green.

EXERCISE 95.—A manufacturing company is incorporated with an Authorized Capital of $150,000 divided into 3000 shares of $50 each. The original subscribers are : H. Pringle 1000 shares,
A. Mann 500 shares,
J. Nelson 800 shares,
W. L. Rathbone 300 shares,
C. J. McFaul 400 shares.

In settlement of his shares McFaul turns over to the company a valuable patent while all of the others paid cash in full of their subscriptions less

10% which was put to their credit in consideration of services rendered in organizing the company. At the end of the year the profits amounted to $30,000 and a dividend of 10% was declared and paid. The remainder of the profits were carried to the Reserve account. The second year's business resulted in a loss of $20,000. At the beginning of the third year the shareholders donated 20% of their shares to the company to be sold to provide funds to carry on the business. This Stock was subsequently sold for cash at $40 per share. A year later the Capital Stock of the Company was reduced to $120,000.

(*a*) Make Journal entries.

b Show complete stock Ledger Entries for the period covered by the above transaction.

EXERCISE 96. Alexander Grey subscribed for sixty shares of the Wilson Wagon Company's Stock at par and after paying 35 on the same his shares were forfeited for non-payment of calls. Make journal entries (*a*) If Capital Stock Account represents Subscribed Capital; (*b*) if it represent Paid Up Capital.

EXERCISE 97.—A Company's Net Profits, before making any allowance for Depreciation, etc., amount to $30,000. It is decided to write 7½% off Machinery, listed at $40,000 and 20% off Patterns which cost $5000. Ten per cent is also deducted fr Book Debts and Bills Receivable amounting to $16,000 to create a .e: rve for Bad Debts. The rest of the Profits are distributed in the form of a Cash Dividend of $14,400 and a Stock Dividend for the remainder. Make Journal entries.

EXERCISE 98.—A company has to the credit of its Reserve for Bad Debts account $1600 and during the year sustains the following losses through Bad Debts:

James Munro	owes	$400	and	pays	only	$300
Thos. Wilson	"	500	"	"	"	200
Saml. Jones	"	800	"	"	"	350

Make entries showing clearly how you would deal with Bad Debts.

EXERCISE 99.—The Newmarket Woodenware Company, Limited, purchases the business of J. B. Beveridge & Co., London, paying for it

$5,000 cash, 50 shares, $100 each, of fully paid up Preference Stock, bearing 6 per cent. preferential, cumulative dividends, and 150 shares of $100 each of Common Stock. The Assets taken over by the Company were as follows: Plant, $3,500; Book Debts, $4,000, Manufactured Goods, $5,000; Goods in Process of Manufacture, $6,000; and Raw Material, $3,000. Make entries in the Company's books.

EXERCISE 100.—Show closing entries for above in books of J. B. Beveridge & Co.

EXERCISE 101.—The total paid up capital of the Newmarket Woodenware Co., Limited, consists of 2,000 shares of Preference Stock and 1,000 shares of Ordinary stock, of $100 each, the former bearing 6 per cent. Preferential Cumulative Dividends. At the end of the first year the net profits amount to $18,000; after paying the dividend on the Preference Stock, and carrying $2,000 to a Reserve account, the remainder is distributed as a Dividend on Ordinary Stock. At the end of the second year the net profits amount to $7,000, so the Reserve account is closed and $9,000 distributed among the Preference shareholders. The third year's profits amount to $16,000; the dividends due upon the Preference Stock are paid and the balance distributed as a Dividend on Ordinary Stock. Make Journal entries required at the end of each year.

EXERCISE 102.—Three joint stock companies engaged in the book business amalgamate their interests under the name of the Hamilton Book Syndicate, Limited. It is agreed that Stock-in-Trade be taken over at a discount of 20 per cent., Fixtures at a depreciation of 25 per cent., and that Book Debts be subject to a discount of 10 per cent. to be set aside as a Reserve for Bad Debts. On this basis 7 per cent. Preferential Cumulative Stock is issued for the amount of the Net Assets of the three concerns. As payment for Good Will they receive $3,000, $4,000 and $5,000 Common Stock respectively. On the date of amalgamation the Balance Sheets of the three companies show the following totals:

Accounts.	No. 1.		No. 2.		No. 3.	
	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
Cash on hand.	$ 600		$ 500		$ 800	
Stock-in-Trade	4,000		6,000		10,000	
Fixtures	500		1,000		3,000	
Book Debts.	1,200		2,000		4,000	
Reserve Account.		$ 900		$ 600		$ 1,100
Capital Stock.		5,400		8,900		16,700
	$6,300	$6,300	$9,500	$9,500	$17,800	$17,800

Cash is handed over in all cases in place of the fractional portion of a share. Make Journal entries to open a set of new books for the Syndicate.

EXERCISE 103.—Make Journal entries to close the books of each of the companies entering the above syndicate.

CHAPTER V.

FINANCIAL STATEMENTS.

Balance Sheets. There are two kinds of Balance Sheets in use among Canadian bookkeepers, one of which is generally known as the Columnar and the other as the English Balance Sheet. The former combines in one statement the Trial Balance, the Loss and Gain Account and the Statement of Assets and Liabilities, but unfortunately in such a condensed form that it can seldom be understood by the average business man. As a working sheet for the bookkeeper the Columnar Balance Sheet doubtless has merits which commend it to many accountants, but as a statement of a Company's affairs to be placed before its shareholders it is altogether unsuitable. For this reason the English Balance Sheet and its accompanying Trading and Profit and Loss Accounts are much preferred by those who have charge of the accounts of Joint Stock Companies. Both the Columnar and the English forms are illustrated in the answers to the exercises which follow.

EXERCISE 104.—From the Trial Balance on page 101 taken December 31, 1901, make a Columnar Balance Sheet, allowing 2½ per cent. for Depreciation on Buildings, 7½ per cent. on Machinery and Office Furniture, 10 per cent. on Patents and Patterns, and 5 per cent. as a Reserve for Bad Debts on Book Accounts and Bills Receivable. Stock on hand December 31, 1901, is inventoried at $150,000.

ANSWER.—**The Columnar Balance Sheet.** In this form of Balance Sheet it is customary to show the present value of appreciated or depreciated Assets in the column headed "Inventory." Accrued Liabilities which have not yet been passed through the books may be provided for either in a similar column or by using the same column and initialling the amount as a Liability to distinguish it from the Asset inventories. In order to obtain anything like satisfactory results we must first close the following accounts into a general Merchandise account, namely: Stock on hand, Jan. 1, 1901, Purchases, Returned Purchases, Sales and

Trial Balance December 31, 1900.

	Dr.	Cr.
Land	57,500	
Buildings	175,000	
Machinery	200,500	
Patents	25,000	
Patterns	15,000	
Sundry Debtors	86,000	
Cash	400	
Office Furniture	2,250	
Stock on hand, Jan. 1, 1901	144,275	
Purchases	200,000	
Sales		454,750
Returned Purchases		1,000
" Sales	4,000	
Taxes and Insurance	2,825	
Workmen's Wages	95,000	
Office Salaries	10,000	
Freight and Duty	23,500	
Manufacturing Expenses	5,800	
Office Expenses	4,125	
Advertising	4,250	
Discounts on Sales	6,000	
" Purchases		750
Bad Debts	4,900	
Directors Fees	5,500	
Bank Charges	1,675	
Interest on Mortgage Payable	5,000	
Bills Receivable	55,250	
Capital Stock		500,000
Mortgage Payable		125,000
Creditors on Open Account		48,000
Bank Overdraft		4,250
	$1,133,750	$1,133,750

BALANCE SHEET FOR YEAR ENDING DEC. 31, 1901.

(Columnar Form.)

L. F.		Inventory.	Debits.	Credits.	Losses.	Gains.	Resources.	Liabilities.
	Land		57,500				57,500	
	Buildings (2½% Depreciation)	170,625	175,000		4,375		170,625	
	Machinery (7½% Depreciation)	185,462 50	200,500		15,037 50		185,462 50	
	Patents (10% Depreciation)	22,500	25,000		2,500		22,500	
	Patterns (10% Depreciation)	13,500	15,000		1,500		13,500	
	Sundry Debtors (Reserve 5%)	81,700	86,000		4,300		81,700	
	Cash		400				400	
	Office Furniture (7½% Depreciation)	2,081 25	[illegible]		108 75		2,081 25	
	Mdse.	150,0[illegible]	343,2[illegible]5	450,750		257,475	150,000	
	Taxes and Insurance		2,825		2,825			
	Workmen's Wages		95,000		95,000			
	Office Salaries		10,000		10,000			
	Freight and Duty		23,500		23,500			
	Manufacturing Expenses		5,800		5,800			
	Office Expenses		4,125		4,125			
	Advertising		4,250		4,250			

Mdse. Dis		6,000	750	5,250			
Bad Debts		4,900		4,900			
Directors' Fees		5,500		5,500			
Bank Charges		1,675		1,675			
Interest on Mortgage		5,000		5,000			
Bills Rec. (Reserve 5)	52,487 50	55,250		2,762 50		52,487 50	
Capital			500,000				
Mortgage Pay			125,000				125,000
Creditors and open accounts			48,000				48,000
Bank overdraft			4,250				4,250
		1,128,750	1,128,750	198,468 75	257,475	736,256 25	177,250
Net Gain				59,006 25			59,006 25
				257,475	257,475		
Capital							500,000
						736,256 25	736,256 25

DR. TRADING ACCOUNT FOR THE

	$ c.	$ c.
Stock on hand, January 31, 1901		144,275 00
Purchases	200,000 00	
Less Returns	1,000 00	199,000 00
Freight and Duty		23,500 00
Wages		95,000 00
Depreciation on Patents	2,500 00	
" " Patterns	1,500 00	
" " Machinery	15,037 50	19,037 50
Manufacturing Expenses		5,800 00
Gross Profit carried to Profit and Loss Account		114,137 50
		600,750 00

Returned Sales. Our Merchandise account then shows a total debit of $343,275 and a total credit $450,750. In the case of Reserve for Bad Debts the 5 per cent. may be extended as a Loss and the remaining 95 per cent. as an Asset, or instead of the 95 per cent. the full 100 per cent. may be carried to the Asset column and the 5 per cent. Reserve placed in the Liability column; in either case the 5 per cent. must appear as a Loss.

EXERCISE 105.- From the Trial Balance given in the previous exercise make the Trading Account, Profit and Loss Account and Balance Sheet for the year, following the English method, showing the distribution of Net Profits in the form of a Dividend of 10 per cent., a Reserve of $6,000, the balance being carried forward to following year.

ANSWER (a **Trading Account**.—In a non-manufacturing Trading concern the Trading Account shows on its debit side the entire cost of the goods handled and on its credit side the sales and inventoried value of the unsold goods. The debit items usually consist of Stock on hand at beginning of year, Purchases for year less Returns, Freight and Duty; the credit items of Sales less Returns, to which is generally added the

YEAR ENDING DECEMBER 31, 1901. Cr.

	$ c.	$ c.
Sales	454,750 00	
Less Returns	4,000 00	450,750 00
Stock on hand, December 31, 1901		150,000 00
		600,750 00

value of the Stock on hand at the end of the year, although sometimes this is deducted from the debit side instead. The latter method shows the actual cost of the goods sold and where percentages are required is the better one to adopt. Some favor deducting the Discounts on Purchases and on Sales from the debit and credit sides respectively of the Trading Account; whether this is advisable or not depends largely upon the use to be made, by the manager, of the results shown by this account and to some extent upon the relative importance of the discounts to the business done. In a Manufacturing business the Trading Account would be charged, in addition to the items above mentioned, with Wages, Depreciation on Machinery, and all other expenses of manufacture. In a Departmental concern a separate Trading Account is generally kept for each department; in addition to the entire cost of the goods, the department is charged up with the cost of running it, in a second section of the account. The difference between the two sides of the Trading Account is called the Gross Profit, which is carried to the credit side of the Profit and Loss Account, or as we have hitherto referred to it in this book, the Loss and Gain Account.

DR. PROFIT AND LOSS ACCOUNT FOR

	$ c	$ c
Taxes and Insurance		2,825 00
Office Salaries		10,000 00
General Expenses		4,125 00
Advertising		4,250 00
Discounts on Sales		000 00
Interest on Mortgage Payable		5,000 00
Bad Debts	4,900 00	
Reserve for Bad Debts for 1902	7,062 50	
		11,962 50
Bank Charges		1,675 00
Directors' Fees		5,500 00
Depreciation on Buildings	4,375 00	
" " Office Furniture	168 75	
		4,543 75
Net Profit for year carried down		59,006 25
		114,887 50
Proposed Distribution :		
Div. of 10% on Paid-up Capital of $500,000		50,000 00
Reserve Account		6,000 00
Balance forward to next year		3,006 25
		$59,006 25

(b) **Profit and Loss Account.**—After carrying to the credit side of this account the Gross Profit for the year, the various items of expenditure not appearing in the Trading Account should be entered on the debit side, and additional profit items, if any, should be entered on the credit side ; the difference between the two sides thus constituted gives the Net Profit for the year. If a balance of Profit or Loss has been carried over from a previous year this should be added in an extra section of the account which should also show the final distribution of the total net profits.

YEAR ENDING DECEMBER 31, 1901. Cr.

	$ c	$ c
Gross Profit from Trading Account		114,137 50
Discounts on Purchases		750 00
		114,887 50
Net Profit for Year		59,006 25
		59,006 25

(*c*) **Balance Sheet.**—The English form of Balance Sheet is a Statement of the Assets and Liabilities of the business arranged so as to give full information respecting depreciations, reserves, capital account, etc. The Liabilities are usually placed on the left side and the Assets on the right side; this is immaterial, however, and many of our leading accountants reverse the order. The form shown on pages 108 and 109 is a favorite one with Canadian as well as with English accountants.

BALANCE SHEET

LIABILITIES.	$	c.	$	c.
To Public:				
Mortgage Payable	125,000	00		
Creditors on Open Account	48,000	00		
Bank Overdraft	4,250	00	177,250	00
To Shareholders:				
Subscribed Capital, 5,000 shares of $100 each, full paid up.	500,000	00		
Dividend of 10%, payable January 15, 1902	50,000	00		
Reserve Account	6,000	00		
Balance of Profits carried forward .	3,006	25	559,006	25
(Contingent Liabilities, such as Notes under Discount, Disputed Claims, etc., should be shown here but not extended into the columns).				
			736,256	25

DECEMBER 31, 1901.

Assets.		$ c.	$ c.
Land			37,500 00
Buildings		175,000 00	
Less 2½% Depreciation		4,375 00	
			170,625 00
Machinery		200,500 00	
Less 7½% Depreciation		15,037 50	
			185,462 50
Stock on hand, December 31, 1901			150,000 00
Patents		25,000 00	
Less 10% Depreciation		2,500 00	
			22,500 00
Patterns		15,000 00	
Less 10% Depreciation		1,500 00	
			13,500 00
Debtors on Open Account	86,000		
Bills Receivable	55,250		
		141,250 00	
Less 5% Reserve for Bad Debts		7,062 50	
			134,187 50
Cash			400 00
Office Furniture		2,250 00	
Less 7½% Depreciation		168 75	
			2,081 25
			736,256 25

EXERCISE 106.—From the following Trial Balance prepare Trading Account, Profit and Loss Account and Balance Sheet for the year ending December 31, 1901, providing for the distribution of Profits as follows: Dividend 10 per cent., Reserve Account 5 per cent., balance carried forward to next year. Stock on hand December 31, 1901, $3500.

Trial Balance December 31, 1901.

	Dr.	Cr.
Paid-up Capital Stock		$10,000
Bills Receivable	$500	
Bills Payable		500
Cash	6,400	
Stock in-Trade, January 1, 1901	3,000	
Accounts Receivable	3,000	
Accounts Payable		2,000
Office Furniture (Allow 10% Deprec.)	600	
Expenses	1,000	
Rent	600	
Purchases	20,000	
Discounts on Purchases		1,000
Sales		22,000
Discounts an Sales	400	
	$35,500	$35,500

EXERCISE 107. On January 1, 1900, the Kaulbach & Schurman Company, Limited, was incorporated, with an Authorized Capital of $200,000, divided into 2000 shares of $100 each. The business previously carried on by the firm of Kaulbach & Schurman was purchased at the following figures: Buildings and Land, $40,000; Book Debts, $16,000, guaranteed good; Goodwill, $50,000; Goods on hand, $14,000. The firm accepted in full settlement $17,000 Cash and fully paid shares for the balance. Additional shares were subscribed for and paid to the amount of $47,000. At the end of the year the following information is placed before you from which you are required to prepare Trial Balance, Trading Account, Profit and Loss Account and Balance Sheet: Cash on hand, $8950; Machinery cost $20,000, depreciated 10 per cent.; Purchases, $75,000; Sales, $98,000; Discounts on Purchases, $950; Discounts on Sales, $1530; Discount on Accounts guaranteed by Kaulbach & Schurman, $270; Bad Debts, $1000; Loss on Accounts guaranteed by Kaulbach & Schurman, $700; Wages, $7400; Salaries, $2000; Taxes, $1700; Directors' Fees, $800; Sundry Debtors, $6300; Bills Receivable,

$27,600; Sundry Creditors, $2000; Bills Payable, $10,000; Interim Dividend paid June 30, 1900, $3700; Goods on hand December 31, 1900, $24,800; Dividend proposed 10 per cent., balance of Profits to be carried to Reserve Account.

Prepare *(a)* Trial Balance, *(b)* Trading Account, *(c)* Profit and Loss Account and *(d)* Balance Sheet.

EXERCISE 108. – From the following Trial Balance, taken December 31, 1901, prepare Trading and Profit and Loss Accounts and Balance Sheet, allowing 5 per cent. for Depreciation on Buildings, $7\frac{1}{2}$ per cent. on Machinery and 10 per cent. on Furniture and Fixtures. Goods on hand at the end of the year are valued at $6144.

Trial Balance December 31, 1901.

	DR.	CR.
Paid up Capital Stock		$15,000
Accounts Receivable	$3,000	
Bills Receivable	700	
Cash	1,450	
Goodwill	1,720	
Buildings	3,200	
Machinery	800	
Furniture and Fixtures	240	
Stock-in-Trade, January 1, 1901	4,400	
Creditors on Open Account		772
Creditors on Bills Payable		610
Taxes	274	
Bookkeeper's Salary	950	
Travelling Expenses	170	
Postage	104	
Purchase Returns		300
General Expenses	90	
Bad Debts	224	
Purchases	7,100	
Sales Returns	154	
Sales		10,800
Wages	2,634	
Freight	182	
	$27,482	$27,482

EXERCISE 109.—From the following information submitted December 31, 1902, prepare (*a*) Trial Balance, (*b*) Trading Account, (*c*) Profit and Loss Account, and (*d*) Balance Sheet: Goods on hand, December 31, 1902, $11,418; Goods on hand, January 1, 1902, $9780; Trade expenses, $3300; Wages, $7518; Cash on hand, $62; Cash in Bank, $15 018; Salaries, $1050; Rent, $870; Purchases, $49,509; Purchase Returns, $480; Sales, $72,180; Sales Return , $624; Commission Paid, $465; Discounts on Purchases, $120; Discounts on Sales, $105; Machinery and Tools cost $6300 but stock-taking shows them to be worth only $5000; Balance to credit of Profit and Loss, carried over from last year, $240; Office Furniture cost $627, depreciated 10 per cent.; Book Debts Receivable, $6527, and Bills Receivable $10,000, on both of which provide for a possible loss of 5 per cent.; Creditors on Notes Payable, $13,000, on Open Account, $35. Provide for accrued Wages unpaid, $195, and current Advertising, $100. The Paid-up Capital Stock of the Company is $25,700.

EXERCISE 110. The Trial Balance on opposite page is taken from the books of the Gowling Co., Limited, on June 30, 1902.

The Stock-in-Trade at the end of the year is valued at $39,000. Charge $1500 of the Organization account against this year, carrying balance forward, and write 7½ per cent. off Plant and Machinery. Prepare Trading and Profit and Loss Accounts and Balance Sheet, providing for the payment of the full dividend on the Preference stock, and 6 per cent. on the Ordinary stock. Place $10,000 more to the credit of Reserve and carry balance of Profits forward to next year.

Trial Balance, June 30, 1902.

7 per cent. Preference Stock		$100,000
Ordinary Stock		60,000
Reserve Account		10,000
Stock-in-Trade, July 1, 1901	$33,000	
Factory Premises	50,000	
Plant and Machinery	65,000	
Purchases	115,000	
Wages	40,000	
Sales		196,000
General Expenses	2,500	
Factory Expenses	2,000	
Creditors on Open Account		2,000
Creditors on Bills Payable		15,000
Freight and Duty	3,600	
Cash in Bank	19,500	
Advertising	1,500	
Commission	900	
Taxes and Insurance	2,500	
Salaries	4,000	
Debtors on Open Account	6,000	
Debtors on Bills Receivable	40,000	
Patent Rights	4,500	
Reserve for Bad Debts		2,500
Bad Debts	1,000	
Bank Charges	500	
Profit and Loss, Balance forward		6,000
	$391,500	$391,500

H.

ANSWER.—
DR.

TRADING ACCOUNT FOR

Stock-in-Trade, July 1, 1901	$33,000	00		
Purchases	105,000	00		
Wages	40,000	00		
Freight and Duty	3,600	00		
Factory Expenses	2,000	00		
Depreciation on Machinery	4,875	00		
" " Patent Rights	1,500	00		
			190,975	00
Deduct Stock-in-Trade, June 30, 1902			30,000	00
			160,975	00
Gross Profit carried to Profit and Loss Acct.			35,025	00
			$196,000	00

PROFIT AND LOSS ACCOUNT FOR

General Expenses			2,500	00
Advertising			1,500	00
Commission			900	00
Taxes and Insurance			2,500	00
Salaries			4,000	00
Bank Charges			500	00
Net Profit for year, carried down			23,125	00
			$35,025	00
Balance available for Dividend			29,125	00
Proposed Apportionment :				
7% Dividend on Prefer'ce Stock	7,000	00		
6% " " Ordinary "	6,000	00		
Addition to Reserve Account	10,000	00		
Balance forward to next year	6,125	00		
	$29,125	00		
			$29,125	00

YEAR ENDING JUNE 30, 1902. Cr.

	Sales	$196,000 00
		$196,000 00

YEAR ENDING JUNE 30, 1902.

	Gross Profit from Trading Acct.	35,025 00
		$35,025 00
	Balance of Profit from last year	6,000
	Net Profit for this year	23,125
		$29,125 00

BALANCE SHEET.

LIABILITIES				
Capital				
1000 Preference Shares fully paid	100,000	00		
600 Ordinary " " "	60,000	00		
			160,000	00
Creditors				
On Open Account	2,000	00		
Bills Payable	15,000	00		
			17,000	00
Reserve from last year			10,000	00
Profit and Loss Account			29,125	00
			$216,125	00

Departmental Trading and Profit and Loss Accounts. The enormous development of recent years of the departmental principle as applied to our mercantile establishments has made the question of departmental accounting a most important one. We shall not, at the present time, go more fully into the matter than is necessary to explain the compilation of the Trading and Profit and Loss Accounts. The object of the accountant of such a concern should be to determine as nearly as possible the profit or the loss resulting from the business of each department; it is needless to say that this cannot be done unless the records are kept with this end in view. Assuming that the books of account are kept so as to furnish all necessary details, the Trading and Profit and Loss Accounts for submission to the directors would be constructed along the same lines as those shown on the following pages. The first one is suitable for an establishment having but few departments, the second for a concern with a large number. The underlying principle is the same in both; the department must be charged with its entire cost to the business and credited with returns. It is not at all easy to determine all items which enter into the cost with absolute

JUNE 30, 1902.

Assets				
Factory Premises			50,000	00
Stock in Trade			30,000	00
Plant and Machinery	65,000	00		
Less 7½ per cent. Depreciation	4,875	00		
Debtors :			60,125	00
On Open Account	6,000	00		
" Bills Receivable	40,000	00		
Less Reserve for Bad Debts $2,500 00	46,000	00		
Deduct Bad Debts Account 1,000 00				
	1,500	00		
			44,500	00
Patent Rights	4,500	00		
Less Depreciation	1,500	00		
			3,000	00
Cash in Bank			19,500	00
			$216,125	00

accuracy, in fact, such as are not definite and direct charges have to be apportioned according to some plan which will best meet the conditions of the particular establishment. Take the item of Rent, for instance; this may be divided in proportion to the floor space occupied by the different departments, the relative value of that floor space, the value of the stock carried, or the sales. The first or second methods would seem to be the most equitable. The salaries paid to the clerks of the various departments are a direct charge, but the cost of management, advertising, delivery of goods, etc., would probably be apportioned according to the sales. These, however, are matters for the directors or managers of the concern to decide, although the opinion of the accountant would doubtless be accepted in most cases.

In the first illustration, the particulars are arranged after the form of the regular Profit and Loss account with debit and credit columns for each department; the second form gives full information respecting any department on *one* line and is recommended for use in concerns with a large number of departments. In either case the final apportionment of the net profit would be shown on a separate statement in the usual way.

DR.

DEPARTMENTAL TRADING AND PROFIT

	Dress Goods.	Groceries.	Books.	Total
Stock, Jan. 1, 1900..	8,000	6,000	5,000	19,000
Purchases.	32,000	27,000	16,000	75,000
Freight	640	380	250	1,270
Duty	3,200	1,350	1,600	6,150
Gross Profit	11,160	5,270	950	17,380
	$55,000	$40,000	$23,800	$118,800
Salaries.	3,600	2,800	1,600	8,000
Dept. Expenses,....	200	150	100	450
General Expenses (Divided in proportion to Sales)..	1,350	1,050	504	2,904
Net Profit of Dept .	6,010	1,270		7,280
	$11,160	$5,270	$2,204	$18,634

DEPARTMENTAL TRADING AND PROFIT

Department.	Trading Account Debits.					Trading Account	
	Stock Jan. 1. 1901.	Purchases.	Freight.	Duty.	Total.	Sales.	Stock Dec 31 1901.
Dress Goods	30,000	60,000	600	9,000	99,600	100,000	25,000
Groceries	20,000	80,000	800	12,000	112,800	115,000	15,000
Drugs	15,000	20,000	200	3,000	38,200	40,000	12,000
Boots and Shoes .	10,000	20,000	200	3,000	33,200	35,000	12,000
Hats and Caps .	8,000	16,000	160	2,400	26,560	25,000	6,000
Gloves . .	6,000	15,000	150.	2,250	23,400	24,000	5,000
Books	12 000	30,000	300	4,500	46,800	43,000	9,000
Carpets	20,000	40,000	400	6,000	66,400	66,000	18,000
Men's Furnishings.	5,000	12 000	120	1,800	18,920	20,000	6,000
Furniture	25,000	60,000	600	9,000	94,600	100,000	22,000
	$151,000	$353,000	$3,530	$52,950	$560,480	$568,000	$130,000

AND LOSS ACCOUNT, DEC. 31, 1900. Cr.

	Dress Goods.	Groceries.	Books.	Total.
Sales	45,000	35,000	16,800	96,800
Stock, Dec. 31, 1900.	10,000	5,000	7,000	22,000
	$55,000	$40,000	$23,800	$118,800
Gross Profit brot. down, ...	11,160	5,270	950	17,380
Net Loss of Dept.,			1,254	1,254
	$11,160	$5,270	$2,204	$18,634

AND LOSS ACCOUNT, DEC. 31, 1900.

Credits.		Charges against Dept.					Net Profit or Loss of Department.	
Total.	Gross Profit of Dept.	Rent.	Salaries.	Special Expense	Prop. of General Expense.	Total.	Profit.	Loss.
125,000	25,400	3,000	5,000	1,000	2,500	11,500	13,900	
130,000	17,200	2,000	5,750	1,150	2,875	11,775	5,425	
52,000	13,800	1,500	2,000	400	1,000	4,900	8,900	
47,000	13,800	2,000	2,750	350	875	5,975	7,825	
31,000	4,440	1,800	2,250	250	625	4,925		485
29,000	5,600	600	1,200	240	600	2,640	2,960	
52,000	5,200	2,200	3,250	450	1,125	7,025		1,825
84,000	17,600	3,000	3,300	660	1,650	8,610	8,990	
28,000	7,080	500	1,000	200	500	2,200	4,880	
122,000	27,400	5,500	5,000	1,000	2,500	14,000	13,400	
$698,000	$137,520	$22,100	$31,500	$5,700	$14,250	$73,550	$66,280	$2,310

EXERCISE 111. From the following information compile Departmental Trading and Profit and Loss Account for the year ending December 31, 1902:

Stock on hand, Department	A,	January 1, 1902.		$35,467	65
"	B,	"	"	24,535	84
"	C,	"	"	[illegible],432	53
"	D,	"	"	11,078	32
"	E,	"	"	4,672	83
Stock on hand, Department	A,	December 31, 1902		33,256	65
"	B,	"	"	22,543	71
"	C,	"	"	15,647	84
"	D,	"	"	11,076	35
"	E,	"	"	3,654	23
Purchases for year, Department	A.			62,387	43
" "	B.			55,426	89
" "	C.			34,256	64
" "	D			23,754	10
" "	E.			3,264	62

Freight amounted to $734.00 for Department A; $632.00 for B; $235.18 for C; $195.41 for D; and $85.43 for E. Duty averaged 20 per cent. on A, 18 per cent. on B, 15 per cent. on C, 7½ per cent. on D, and 2½ per cent on E. The Stock valuations at the beginning and end of the year given above include Freight and Duty. Taking this into consideration figure out the Sales as having been made in Department A at an average of 35 per cent. advance on total cost, in Department B at 30 per cent. advance, C at 25 per cent. advance, D at 22 per cent. advance and E at 15 per cent. advance. Departmental Salaries amounted to $6500 for A, $4500 for B, $3200 for C, $2540 for D and $1200 for E. The annual Rental was $15,000, charged against the departments as follows: A, $4000; B, $4,500; C, $5,000; D, $1,200, and E the remainder. Special expenses were $435 for A, $345 for B, $243 for C, $120 for D and $110 for E. The General Expenses amounted to $9000 and were divided in proportion to Sales. Use the first form shown in working.

EXERCISE 111b. Work out the above question using second form shown.

EXERCISE 112.– Prepare Trial Balance, Departmental Trading and Profit and Loss Accounts and Balance Sheet from the following particulars

obtained from the books of the Hamilton Trading Co., Limited, for year 1900 :

Paid-up Capital Stock, $39,200 ; Creditors on Open Account, $32,000 ; Bills Payable, $80,000 ; Accounts Receivable, $18,000 ; Bills Receivable, $46,000 ; Premises cost $15,000 ; Cash in Bank $4200 ; Store Fixtures cost $1900 ; Goods on hand, Dec. 31, 1900, $76,000, of which $54,000 was in Dept. A, $12,000 in Dept. B, and $10,000 in Dept. C ; the Purchases for year in Dept. A were $102,000, in Dept. B $20,000 and $18 000 in C ; Goods on hand on Jan. 1, 1900, amounted to $50,000 in A, $14,000 in B, and $10,000 in C ; the Sales for the year were $112,000 in A, $31,900 in B, and $28,000 in C ; the total departmental expenses were $13,400 for A, $2600 for B and $2000 for C.

EXERCISE 113. The annual Balance Sheet of a Departmental Trading Co. for the year ending Dec. 31, 1901, was as below :

Liabilities.		*Assets.*		
Capital Stock ..	$33,600	Bills Receivable .		$ 7,200
Bills Payable . .	2,400	Cash		20,000
		Fixtures		800
		Stock-in Trade :		
		Dry Goods	$4,000	
		Clothing .	2,400	
		Books	1,600	
				8,000
	$36,000			$36,000

For the year 1902, the business was as follows :

Purchases :	Dry Goods $20,000,	Clothing $7,200,	Books $3,200 ;
Sales :	" 25,000,	" 9,000,	" 4,000 ;

The Dry Goods were sold at 30% advance on cost, the Clothing at 25%, and the Books at 40 . Special Expenses were charged against Dry Goods department $3000, Clothing $2500, and Books $1800. The General Expenses amounted to $5000 and were allotted in proportion to Sales.

From the foregoing particulars ascertain stock on hand at the end of the period, and make the usual Department Accounts and Balance Sheet.

EXERCISE 114. – From the following information arrange according to the English form the Balance Sheet of the Montreal Engineering Co., Limited, for the year ending June 30, 1902 :

Premises cost $50,870 ; Plant cost $52,040 ; Patents cost $10,000 ; Raw Material on hand, June 30, 1902, $6,000 ; Goods in process of manufacture, $12,000 ; Manufactured Goods, $4,440 ; Book Debts Receivable, $32,300 ; Authorized Capital Stock, 2,000 shares of $100 each ; Paid Up Capital, $90,350, of which $400 consists of Calls paid in advance ; Calls in Arrears, $50 ; Debentures outstanding, 500 of $100 each bearing 5 per cent.; Reserve, $16,500, of which $14,000 is on deposit in a Special account in Bank of Commerce ; Cash on hand, $200 ; on deposit in Current account, $2,184 ; Creditors on Bills Payable, $10,000 ; on Open account, $750 ; Depreciation written off Plant, $1,050 ; Provision for Bad Debts, $1,300 ; total Net Profit for year, $18,684, of which $4,600 was paid at the end of Dec., 1901, as an Interim Dividend.

THE MONTREAL ENGI-

BALANCE SHEET FOR YEAR

Liabilities.

Nominal Capital, 2,000 shares of $100 each.	$200,000	
Subscribed Capital, 1,000 shares of $100 each, 90% called up	90,000	
Less calls in arrears.....	50	
	89,950	
Add calls paid in advance	400	$90,350
Debentures at 5%, 500 of $100 each.		50,000
Reserve Account..........		16,500
Creditors : On Bills Payable...	10,000	
" Open Account......	750	10,750
Profit and Loss Account :		
Total Net Profit for year	18,684	
Less Interim Dividend paid....	4,600	14,084
		$181,684

* **Debentures.** – Debentures are instruments in the nature of a Bond given as an acknowledgment of a debt, stating on their face that they are secured by certain mortgages deposited with trustees for that purpose. They bear a specified rate of interest, payable periodically, and when issued by a company are recorded much in the same manner as its Bills Payable. They are redeemable on specified dates at par, although quite frequently they are issued above or below par, according to the rate of interest they bear, the condition of the money market at the time, the number of years they have to run, and the nature of the securities behind them. The holders of secured debentures are really preferential creditors of the company issuing them.

NEERING CO., LIMITED.

ENDING JUNE 30, 1902.

Assets.

Premises cost		$50,870
Plant and Machinery	$52,040	
Less Depreciation	1,050	
		50,990
Patents cost		10,000
Stock-in-Trade		
Raw Material	6,000	
In Process of Manufacture	12,000	
Manufactured Goods	4,440	
		22,440
Book Debts	32,300	
Less Provision for Bad Debts	1,300	
		31,000
Bank of Commerce: Deposited to Credit of Reserve Fund		14,000
Cash: Current Account at Bank	2,184	
On hand	200	
		2,384
		$181,684

Auditors and their Duties.—Sections 87 to 94 of the Ontario Companies' Act contain many important provisions relating to auditors and their duties. These sections are quoted in full as follows:

"**87.** If the special Act, letters patent, or the by-laws of the company so direct, the accounts of the company shall be examined once at least in every year, and the correctness of the balance sheet shall be ascertained by an auditor.

88. Such auditor may be appointed by resolution at a general meeting of the company; if so appointed, he shall hold office until the next annual general meeting thereafter, unless previously removed by a resolution of the shareholders in general meeting; subsequent auditors may be appointed by a resolution of the company in general meeting.

89. The said auditor may be a shareholder of the company, but no person shall be eligible as an auditor who is interested, otherwise than as a shareholder, in any transaction of the company; and no director or other officer of the company shall be eligible during his continuance in office.

90. The remuneration of the auditor shall be fixed by the company in general meeting.

91. Any auditor shall be eligible for re-appointment.

92. Every auditor shall be supplied with a copy of the balance-sheet, and it shall be his duty to examine the same with the accounts and vouchers relating thereto.

93. Every auditor shall have a list delivered to him of all books kept by the company, and shall at all reasonable times have access to the books and accounts of the company.

94. The auditor shall make a report to the shareholders upon the balance sheet and accounts, and in every such report he shall state whether, in his opinion, the balance sheet is a full and fair balance sheet, and properly drawn up so as to exhibit a true and correct view of the state of the company's affairs, and, in case he has called for explanations, or information from the directors, or officers of the company, whether such explanation or information has been given by the directors, and whether it has been satisfactory."

Auditing Company Books. In conjunction with the foregoing clauses from the Ontario Companies Act the student is advised to read carefully the following list of instructions as to the method of conducting an audit quoted from the standard English work on the subject, namely, Dicksee's "Auditing."

"1. In commencing a new audit you should obtain a list of all the books kept, and of all persons authorized to receive or pay money or order goods.

2. In the case of a joint stock company, examine the articles and board minutes respecting the receipt and payment of money and the drawing of cheques, acceptances, etc.

3. Ascertain and take note of the general system upon which the books are constructed, and the plan of checking the correctness of the accounts paid, and whether exclusively or generally by cheques.

4. Report if the accounts and vouchers are submitted to the board of directors by an account committee or otherwise, and whether they are systematically checked and certified ; and note any discrepancies.

5. Examine all the items in the Cash Book with the bank Pass Books and vouchers, and put your usual audit initials in the Pass Book and to every item in the Cash Book. Ascertain if the bankers' Pass Book is frequently entered up and examined.

6. Note any unusual or extraordinary payments or receipts.

7. In regard to the payments for wages and petty cash, note any unusual items and see that vouchers for all payments are kept and produced.

8. Report whether a rough Cash Book is kept, and whether the fair Cash Book is regularly and punctually posted and balanced and if the balance is checked.

9. Report also if the entries in the fair Cash Book are in arrear, on account of the current year, and if so, to what extent, and why.

10. In all cases where branch establishments are included in one business, you will be careful to examine into the mode of bringing the returns of work, accounts and expenses to the head office.

11. Examine all the Day Books and see that the proper returns of purchases and sales are made by each department, and that the Bought and Sold books are properly entered up; that the invoices are properly checked as to quantities and prices; obtain a declaration, or otherwise satisfy yourself, that every liability of the year is brought into account.

12. The postings in the personal Ledgers must be checked from the Bought and Sold Day Books and the Cash Book, and also from the Bill Books and Journal.

13. The postings in the nominal or impersonal Ledgers must be checked from the journalizing of the Bought and Sold Day Books, the Bill Books, the Invoice Books and the Cash Books, and the mode and correctness of the journalizing must be carefully proved.

14. Examine the Bills Receivable and Bills Payable Books, and note any item of past due, renewed or dishonored bills, and make list of same and of the securities, if any.

15. Examine the entries and transfers passed through the Journal, and check the postings; and, although you are not held responsible for the details of classification, it is desirable you should make any suggestions required, and note any discrepancies, especially in relation to the division of expenditure, on account of Capital and Profit and Loss Accounts respectively.

16. Examine the Share Register and see that the amounts received for calls agree with the entries in the bank Pass Books, and that they are correctly posted to the credit of the respective shareholders in the Share Ledger; that all transfers from the transfer deeds are duly entered in the Register of Transfers, and also that the amount of the subscribed and paid-up capital and arrears corresponds with the Balance Sheet.

17. Examine the register of all mortgages on the company's property, and all debenture bonds issued, and note and check the amount of capital paid in advance of calls, and of the receipts and payments in respect thereof with the bank Pass Book.

18. In the accounts of stocktaking see that all stock sheets and returns are duly signed by the heads of departments, and that the same are correctly carried forward to the General Stock Account; and ascertain and note whether goods finished or in progress are taken at cost

price or otherwise; also report whether in large concerns an independent check clerk or valuer has verified the stock returns in regard to prices and quantities.

19. In checking the Profit and Loss Account, note whether the usual and proper deductions are made for wear and tear and depreciation, and for recouping of capital on works or premises held on short leases.

20. Take care that in the Balance Sheet no additions are made to expenditure on Capital Account except such as are duly authorized by the board of directors, and note the distinction between new works and mere replacements.

21. Ascertain whether the conveyance deeds and other securities specified in the agreement of purchase and articles of association have been duly executed, and the sums paid by the company on account of purchase have been duly endorsed thereon or otherwise acknowledged to the satisfaction of the solicitors or board of directors; also that the existence and safe custody of these documents has been duly certified; ascertain by application to the bankers the correctness of any balances, bills or securities lodged with them.

22. Ascertain the correctness of the cash balances, bills and other securities in hand, and take note of every exceptional transaction."

CHAPTER VI.

EXTRACTS FROM THE ONTARIO COMPANIES ACT.

ADDITIONAL EXTRACTS—CANCELLATION OF PREFERENCE STOCK—USE OF THE WORD "LIMITED"—STOCK, CALLS, ETC.—LIABILITIES TO SHAREHOLDERS—DIRECTORS AND THEIR POWERS—VOTES—CONTRACTS AND USE OF SEAL—PURCHASING STOCK IN OTHER COMPANIES—LOANS TO SHAREHOLDERS—LIABILITY OF DIRECTORS FOR WAGES—SHAREHOLDERS LESS THAN FIVE.

Additional Extracts. In addition to those portions of the Ontario Companies Act quoted in the preceding pages, the accountancy student is strongly recommended to familiarize himself with the extracts which follow. Those desirous of obtaining a thorough and complete exposition of the various acts under which companies operate in Canada cannot do better than possess themselves of a copy of Warde's "Shareholders' and Directors' Manual," a work which should be in the office of every Joint Stock company.

Cancellation of Preference Stock. Section 22 of the said Act was amended 30th April, 1900, by the addition of the following sub-sections regarding the cancellation of Preference Stock :

(6) The directors of a company which has heretofore issued or may hereafter issue preference stock may, for the purpose of cancelling such preference-stock or parts thereof, from time to time, pass by-laws providing for the purchase or acquisition by the company of such stock or parts thereof with the consent of the holders, and for the cancellation of the stock so purchased or acquired, and for the reduction pro rata according to the amount of stock so cancelled of any reserve set apart, or required to be set apart, in respect of such preference-stock, but no such by-law shall be valid or acted upon unless and until the same has been sanctioned by a vote of at least two-thirds in value of the shareholders of the company present in person, or represented by proxy, at a special general meeting duly called for considering the same, and unless and until such by-law has been confirmed by supplementary letters patent.

(7) At any time not more than three months after the sanction of such by-law by the shareholders as aforesaid, the company may petition the Lieutenant-Governor in Council, through the Provincial Secretary, for the issue of Supplementary letters patent to confirm the by-law and establish to the satisfaction of the Provincial Secretary, or of such other officer as may be charged by him to report thereon, the due passage and sanction of the by-law and the bona fide character of the same, and thereupon the Lieutenant-Governor in Council may by supplementary letters patent confirm the by-law, and may, with the consent of the Board of Directors of the Company, by the supplementary letters patent, add such terms and conditions thereto as to him may seem proper, and thereupon from the date of the supplementary letters patent the by-law, with such added terms and conditions, if any, shall be valid and may be acted upon. Notice of the issue of supplementary letters patent shall be given by the Provincial Secretary in the Gazette.

Use of the Word "Limited." - Section 23 of this Act as amended on 30th April, 1900, contains the following clauses respecting the use of the word "Limited":

(1.) Wherever any office or place in which business of the company is carried on is indicated by any sign, name or other means on the outside thereof as being a place of business of the company, the company shall keep in a conspicuous place on such outside, in letters easily legible, the name of the company, with the word "Limited" as the last word of, or as the first word after, such name, and the name of the company with the word "Limited" as the last word of, or the first word after, such name, shall appear in a conspicuous position, and in letters easily legible,

(*a*) On its corporate seal;

(*b*) In all advertisements and other official publications of the company;

(*c*) In all bills of parcels or invoices of the company;

(*d*) In all written contracts and undertakings of the company;

(*e*) In the company's signature to any bill of exchange, promissory note, endorsement, cheque, order for money or goods.

(2.) It shall be the duty of the director, manager, officer or other employee of the company who

(a) Publishes or causes to be published any such advertisement or other official publication;

(b) Makes out or causes to be made out any such bill of parcels or invoice;

(c) Makes on behalf of the company any such written contract or undertaking; or

(d) Signs in the name of the company any such bill of exchange, promissory note, endorsement, cheque, order for money or goods,

to comply with the foregoing provisions of this section Provided that where the word "Company," "Club," "Association," or other equivalent word forms part of the company's corporate name the word "Limited" need not appear in full, but an abbreviation thereof, of which the letters "l" and "d" shall be the first and last letters, shall be sufficient. Provided also that where the word "Company," "Club," "Association," or other equivalent word, does not form part of the corporate name the word "Limited" shall appear in full and in letters of substantially the same size as the letters in the rest of the name. Provided, further, that stamping, writing, printing, or otherwise marking upon goods, wares and merchandise of the company, or upon packages containing the same, shall not be deemed an advertisement within the meaning of this section.

(3.) Every company and every director, manager, officer or other employee making default in complying with the foregoing provisions of this section shall incur a penalty not exceeding ten dollars for each and every offence. Provided that after having been convicted of an offence under this section the offender upon a subsequent conviction for an offence under this section shall incur a penalty not exceeding one hundred dollars.

(4.) This section shall not apply to any company not having gain for its purpose or object, where such company by its charter of incorporation is declared to be exempt from the provisions thereof, or to any company not having gain for its purpose or object which, on proof thereof being shown to the Lieutenant-Governor in Council, is of, from

and after the date to be set forth in the order of the Lieutenant-Governor in Council in that behalf declared to be exempt

Stock, Calls, Etc. Sections 26 to 33, inclusive.

26. If the letters patent or special Act make no other definite provision, the shares of stock of the company, so far as they are not allotted thereby, shall be allotted when and as the directors by by-law or otherwise ordain.

27. The shares of stock of the company shall be deemed personal estate, and shall be transferable on the books of the company, in such manner only, and subject to all such conditions and restrictions as by this Act, or by the special Act, or by the letters patent, or by-laws of the company may be prescribed

28. The directors may refuse to allow the entry, in any such book, of any transfer of shares of stock whereof the whole amount has not been paid in; and wherever entry is made in such book of any transfer of stock, not fully paid in, to a person not being of apparently sufficient means, the directors present when such entry is authorized shall be jointly and severally liable to the creditors of the company in the same manner and to the same extent as the transferring shareholder, but for such entry, would have been; but if any director present when such entry is allowed, forthwith enters a written protest against the same, and within eight days thereafter causes such protest to be notified, by registered letter, to the Provincial Secretary, such director may thereby, and not otherwise, exonerate himself from such liability.

29. No transfer of shares of stock, unless made by sale under execution, or under the order or judgment of some competent Court in that behalf, shall be valid for any purpose whatever, save only as exhibiting the rights of the parties thereto towards each other, and as rendering the transferee liable, *ad interim*, jointly and severally with the transferor, to the company and its creditors, until entry thereof has been duly made in the books of the company.

30. No share shall be transferable until all previous calls thereon have been fully paid in, or until declared forfeited for non-payment of calls thereon.

31. The company shall not be bound to see to the execution of any trust, whether express, implied or constructive, in respect of any share ;

and the receipt of the shareholder in whose name the same stands on the books of the company shall be a valid and binding discharge to the company for any dividend or money payable in respect of such share, whether or not notice of the trust has been given to the company; and the company shall not be bound to see to the application of the money paid upon such receipt.

32. The directors of the company may call in and demand from the shareholders thereof, respectively, the amount unpaid on shares of stock by them subscribed or held, at such times and places and in such payments or instalments as the letters patent, or this Act, or the by-laws of the company require or allow; and interest shall accrue at the legal rate for the time being, upon the amount of any unpaid call, from the day appointed for payment of such call.

33. Not less than ten per centum upon the allotted shares of stock of the company shall, by means of one or more calls formally made, be called in and made payable within one year from the incorporation of the company; the residue when and as the by-laws of the company direct.

Liabilities of Shareholders. - Section 37.

(1) Each shareholder, until the whole amount of his shares of stock has been paid up, shall be individually liable to the creditors of the company to an amount equal to that not paid up thereon, but shall not be liable to an action therefor by any creditor before an execution against the company has been returned unsatisfied in whole or in part; and the amount due on such execution, but not beyond the amount so unpaid of his said shares of stock, shall be the amount recoverable with costs, against such shareholder.

(2) Any shareholder may plead by way of defence, in whole or in part, any set-off which he could set up against the company except a claim for unpaid dividends, or a salary or allowance as a president or a director of the company.

(3) The shareholders of the company shall not as such be held responsible for any act, default or liability whatsoever, of the company, or for any engagement, claim, payment, loss, injury, transaction, matter or thing whatsoever, relating to or connected with the company, beyond the unpaid amount of their respective shares in the capital stock thereof.

Directors and their Powers. —Section 40 to 49 inclusive.

40. The affairs of the company shall be managed by a board of not less than three directors, who shall be elected by the shareholders in general meeting of the company assembled at some place within this province.

41. The persons named as provisional directors in the special Act or in the letters patent shall be the directors of the company, until replaced by others duly elected in their stead.

42. No person shall hold office as a director unless he is a shareholder owning stock absolutely in his own right, and not in arrears in respect of any call thereon, and where any person who is a director ceases to be a bona fide holder of stock in the company, he shall thereupon cease to be a director.

43. (1) The election of directors shall take place at the annual meeting, all the members of the board retiring, and (if otherwise qualified) being eligible for re-election.

(2) Elections of directors shall be by ballot ;

(3) The directors shall, from time to time, elect from among themselves a president of the company ; and shall also name, and may remove at pleasure, all other officers thereof

44. If at any time an election of directors is not made, or does not take effect at the proper time, the company shall not be held to be thereby dissolved; but such election may take place at any general meeting of the company duly called for that purpose ; and directors shall continue in office until their successors are duly elected.

45. (1) A company may by by-law increase or decrease the number of directors, or may change the Company's head office in Ontario

(2) No by-law, for either of the said purposes, shall be valid or acted upon unless it has been sanctioned by a vote of not less than two-thirds in value of the shareholders at a meeting of the company duly called for considering the subject of the by-law, nor until a copy of the by-law, certified under the seal of the company, has been transmitted to the Provincial Secretary, and also, has been published by the company once in the Gazette.

(3) In case the head office of the company is being changed as aforesaid, then the company shall forthwith give notice of the fact in such newspapers and for such time as the regulations made under section 11 of this Act may prescribe.

46. The directors of the company shall have full power in all things to administer the affairs of the company and may make, or cause to be made, for the company, any description of contract which the company may by law enter into.

47. The directors may, from time to time, make by-laws not contrary to law, or to the letters patent of the company, or to this Act, to regulate:

(a) The allotment of stock; the making of calls thereon; the payment thereof; the forfeiture of stock for non-payment; the disposal of forfeited stock and of the proceeds thereof; the transfer of stock;

(b) The declaration and payment of dividends;

(c) The term of service, not exceeding two years, and the amount of the stock qualification of the directors;

(d) The appointment, functions, duties and removal of all officers, agents and servants of the company; the security to be given by them to the company; and their remuneration;

(e) The time at which, and place where the general meetings of the company shall be held; the calling of meetings, regular and special, of the board of directors, and of the company; the quorum; the requirements as to proxies; and the procedure in all things at such meetings;

(f) The imposition and recovery of all penalties and forfeitures admitting of regulation by by-law; and

(g) The conduct in other particulars of the affairs of the company:

and may from time to time repeal, amend, or re-enact the same; but every such by-law, and every repeal, amendment, or re-enactment thereof, unless in the meantime confirmed at a general meeting of the company duly called for that purpose, shall only have force until the next annual meeting of the company; and in default of confirmation thereat, shall, at and from that time only, cease to have force; and in that case no new

by-law to the same or the like effect shall have any force until confirmed at a general meeting of the company ; provided however, that the company shall have power either at the general meeting, called as aforesaid, or at the annual meeting of the company, to repeal, amend, vary or otherwise deal with any by-laws which have been passed by the directors, but no act done or right acquired under any by-law shall be prejudicially affected by any such repeal, amendment, variation or other dealing.

48. No by-law for the payment of the president or any director, shall be valid or acted upon until the same has been confirmed at a general meeting.

49. If authorized by by-law, passed by the directors and sanctioned by a vote of not less than two-thirds in value of the shareholders present in person or by proxy at a general meeting of the company duly called for considering the subject of such by-law, the directors of the company may :

(*a*) Borrow money upon the credit of the company ;

(*b*) Limit or increase the amount to be borrowed ;

(*c*) Issue the bonds, debentures, or other securities of the company for the lawful purposes of the company, and no other, and may pledge or sell the same for such sums and at such prices as may be deemed expedient or be necessary ; but no such bonds, debentures, or other securities shall be for a less sum than one hundred dollars each, and

(*d*) Hypothecate, mortgage or pledge all or any of the real or personal property, rights and powers of the company to secure any such bonds, debentures or other securities and any indebtedness or sum or sums so borrowed for the purposes of the company.

Votes. Sections 63 and 64.

63. At all general meetings of the company, every shareholder shall be entitled to as many votes as he holds shares in the company, and may vote by proxy.

64. No shareholder being in arrear in respect of any call shall be entitled to vote at any meeting of the company

Contracts and Use of Seal. Section 81.

Every contract, agreement, engagement or bargain made and every bill of exchange drawn, accepted or indorsed, and every promissory note and cheque made, drawn or indorsed on behalf of the company by any agent, officer or servant of the company, in general accordance with his powers as such under the by-laws or resolutions of the company, shall be binding upon the company; and in no case shall it be necessary to have the seal of the company affixed to any such contract, agreement, engagement, bargain, bill of exchange, promissory note or cheque, or to prove that the same was made, drawn, accepted or indorsed, as the case may be, in pursuance of any by-law, resolution or special vote or order; nor shall the person so acting as agent, officer or servant of the company, be thereby subjected individually to any liability therefor.

Purchasing Stock in Other Companies. - Section 82.

The company shall not under any circumstances use any of its funds in the purchase of stock in any other corporation, unless and until the directors have been expressly authorized by a by-law passed by them for the purpose and sanctioned by a vote of not less than two-thirds in value of the shareholders present in person or by proxy at a general meeting of the company duly called for considering the subject of the by-law.

Loans to Shareholders. Section 84.

No loan shall be made by the company to any shareholder, and if such loan is made, all directors and other officers of the company making the same, and in anywise assenting thereto shall be jointly and severally liable to the company for the amount thereof and also to third parties to the extent of such loan with legal interest, for all debts of the company contracted from the time of the making of the loan to that of the repayment thereof.

Liability of Directors for Wages. Section 85.

The directors of the company shall be jointly and severally liable to the laborers, servants and apprentices thereof for all debts not exceeding one year's wages due for services performed for the company while they are such directors respectively; but no director shall be liable to an action therefor, unless the company has been sued therefor within one year after the debt became due, nor yet unless such director is sued

therefor within one year from the time when he ceased to be such director, nor yet before an execution against the company has been returned unsatisfied in whole or in part; and the amount due on such execution shall be the amount recoverable with costs against the directors.

Shareholders less than Fi. Section 100.

If a company carries on business when the number of its shareholders is less than five for a period of six months after the number has been so reduced, every person who is a shareholder in the company during the time that it so carries on business after such period of six months and is cognizant of the fact that it is so carrying on business with less than five shareholders shall be severally liable for the payment of the whole of the debts of the company contracted during such time, and may be sued for the same without the joinder in the action or suit of the company or of any other shareholder; but any shareholder who has become aware that the company is carrying on business when the number of its shareholders is less than five, may serve a protest in writing on the company, and may, by registered letter, notify the Provincial Secretary of such protest having been served, and of the facts upon which it is based, and such shareholder may thereby, and not otherwise, from the date of his said protest and notification, exonerate himself from liability; and if after notice from the Provincial Secretary the company refuses or neglects to bring the number of its shareholders up to five, such refusal or neglect may, upon the report of the Provincial Secretary be regarded by the Lieutenant-Governor in Council as sufficient cause for the revocation of the company's charter

CHAPTER VII.

SELECTED EXAMINATION QUESTIONS.

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF ONTARIO.

The Institute of Chartered Accountants of Ontario. – The questions which appear in this chapter have been selected from the Intermediate and Final examination papers set by the Institute of Chartered Accountants of Ontario during the last three years. The student who has thoroughly mastered the preceding pages should experience no unusual difficulty in writing his answers. An exceedingly valuable work, which should be in the hands of every person who contemplates writing on any of the Institute examinations is the "Manual for Accountants," by Mr. Wilton C. Eddis, F.C.A., President of the Institute, Volume I of which contains the complete questions and answers for the years 1897 and 1898, and Volume II those for the years 1899 to 1901 inclusive.

QUESTION 1.—State the principal points requiring the special attention of an Auditor at the first annual audit of a joint stock company :–

(*a*) Where a going business has been taken over by an agreement ;

(*b*) Where a factory has been erected, equipped, and business carried on since the inception of the Company.

What books would the Auditor especially refer to in connection with the above transactions.

QUESTION 2.—A soap company undertakes to give certain "premiums" on the return of its soap wrappers, Premiums and wrappers being determined by a printed schedule. How would you treat this agreement when preparing your Balance Sheet.;

QUESTION 3.—How would you show the following accounts in a Balance Sheet :—

(*a*) Reserves for the depreciation of plant and machinery ;

(*b*) Provision for bad debts

(*c*) Provision for taxes, wages, rent or interest on mortgage;

(*d*) Undivided profit from the preceding period.

QUESTION 4.—You are book-keeper for a Joint Stock Company under the Ontario Companies Act and a customer of the Company demands to see the books of the Company.

(*a*) What books would he be entitled to see?

(*b*) He desires to take extracts from them; can he do so?

QUESTION 5. The manager of a Trading Company, incorporated under the Ontario Companies Act, informs the auditor that he has purchased for the Company 100 shares in another company, and asks for the memo. of what must be done to make the purchase legal. Give the memo.

QUESTION 6.—The president of a Manufacturing Company, Ltd., offers a loan of $10,000 of the funds of the Company to a shareholder thereof, the borrower's promissory notes to be taken as security. The auditor reports against the transaction; why?

QUESTION 7.— Under the Ontario Companies Act; (*a*) give the least number of shareholders a company can have, (*b*) least number of directors, (*c*) how long can directors appointed in Letters Patent continue in office, (*d*) how are directors to be elected, (*e*) can a shareholder who is in arrears for call on stock, vote at any special or annual meeting?

QUESTION 8. A Limited Liability Company has issued Debentures, 6 per cent Cumulative Preference, 5 per cent Preference and Ordinary Shares of Stock. The Revenue Account for the year shows a loss of $500 after paying the Interest Coupons of the Debentures. How would you show the liability of the Company on its Share Capital in the Balance Sheet and in what manner would you show the contingent liability in the accounts?

QUESTION 9.—The Directors of a Company incorporated under the Ontario Companies Act have passed a by-law to increase the capital of the company by issue of preference stock. Describe the procedure to do so.

Draw up this by-law (or by-laws) and make provision that the shares to be issued shall be preferred not only for dividend but as regards capital.

QUESTION 10.—What is required to make a transfer of shares legal? What are the duties of directors as regards transfers?

QUESTION 11. Briefly enumerate the duties and powers of directors of Joint Stock Companies.

QUESTION 12.—What are the rules or restrictions under the Companies Acts as to:

(*a*) Purchasing stock in any other corporation?

(*b*) Payment of dividend?

(*c*) Lending money to Shareholders?

QUESTION 13.—How are the borrowing powers of a corporation under The Ontario Companies Act exercised?

Give all necessary requirements to make the borrowing on the part of such a corporation legal.

QUESTION 14.—From the following information make out a Shingle Manufacturer's Trading account:

Shingle timber on hand at beginning of period......	2,000 pieces
Purchased during year.........................	19,000 "
Paid for saws..................................	$ 250 00
" " fitting at mill........................	500 00
" " shingle bands and binder................	150 00
" Contractor for 20,000,000, at 75c. per M......	15,000 00
" Repairs to mill and machinery..............	800 00
Received from sales, 15,000,000...............	33,750 00
Allowed Jno. Smith 5,000 at $2 per M for shortage in quantity..................................	10 00
Paid lake freight on cargo to Buffalo, 500 thousand at 20 cts. per M..........................	100 00
Received from James Jones for 500,000 sold him f.o.b. Buffalo (he pays duty, seller pays freight as above)	1,150 00
Contractor refunded owing to error of 75 M. in count	56 25
Shinges on hand, 4,430,000 pieces at average of $2 per M..................................	88 00

Account to show average cost of shingles per M. pieces.

Account to show average sale price of shingles per M. pieces.

The account to be charged with timber at 40 cents each piece.

QUESTION 15.—Show forms of Stock Ledgers, providing for
(a) Fully paid stock.
(b) Stock payable in calls of 25 per cent. each.

QUESTION 16.—Furnish a skeleton example of a Manufacturing account, Trading account, Profit and Loss account and Balance Sheet for a combined manufacturing and trading concern, in such form as to show the method of balancing from one to the other.

QUESTION 17. The Williams Co., limited, Incorporated under the Ontario Companies Act, has a Capital of $100,000, half preference stock and half ordinary stock, with a Reserve set apart for the preference shareholders of $20,000. The Directors desire to cancel $25,000 of the Preference Stock. Can this be done? If so, how, and how will it effect the Reserve of $20,000?

QUESTION 18.—The Jones Company are indebted to each of five employees for three years' wages. Have they any recourse against the Directors of the Company, and under what circumstances?

QUESTION 19.—Company A buys the business of Company B, both being Joint Stock Companies. Company B calls a meeting of its shareholders, who agree to sell all their shares to Company A or their trustees for $20,000; Company B's shareholders to keep all book debts; Company A to pay all liabilities, which are to be deducted from said $20,000.

Following is the statement of B Company, after taking out book debts:

Liabilities.		Assets.	
Book debts........ ...	$5,000	Mdse........	$18,000
Bills payable	5,000	Machinery, plant, etc..	15,000

The business of Company B is continued, and new books opened in its own name, and Manager receives from Company A $15,000 to be used as follows:

$10,000 to go to the old shareholders of Company B in full payment for shares, and $5,000 to pay book debts, and Company A further instructs Company B to pay Bills Payable, $5,000, as they mature, charging them therewith. Company B also sells goods to Company A, amounting to $1,500.

Show transactions as recorded in Company A's books, and state how a settlement should be arrived at between Company A and Company B.

In recording transactions assume that the Bills payable, $5,000 have matured.

QUESTION 20.—The auditor for the Jones Mfg. Co. informs the bookkeeper that he has omitted certain entries from the Balance Sheet, and advises making an allowance for depreciation. You are instructed to amend the Balance Sheet which is given below, and allow for the following items :

Unearned insurance, $33.15.

6 per cent. depreciation on machinery, plant, etc.

Write 25 per cent. off patent.

Provide 5 per cent on Accounts Receivable for bad and doubtful debts.

Wages accrued due, $156.

The following invoice has been overlooked :

Jas. Johnson, special machine, $350.

This is included in Machinery inventory, but Jas. Johnson is not shown as a creditor.

Assets.

Merchandise as per Inventory	$ 12,500
Machinery, Plant Tools, etc	7,500
Patent	6,250
Real Estate	5,250
Office Furniture, etc	1,250
Cash in Bank	10,000
Accounts Receivable	7,250
	$ 50,000

Liabilities.

Trade Creditors	$ 4,000
Stock	46,000
	$ 50,000

Make out amended Balance Sheet.

QUESTION 21.—A manufacturer has been in the habit of valuing the output from his factory at catalogue selling prices, less 70 per cent. His accounts are correctly kept as regards the factory, and following are copies of his Manufacturing and Trading accounts. Raw material is valued at cost, but manufactured goods on hand have been valued in the same way as his output. He desires to arrive at the cost value of his manufactured goods on hand, as nearly as possible.

What is the value, and explain method of arriving at result?

Manufacturing Account.

March 31, 1891.		March 31, 1891.	
To purchases to date..	$28,468 51	By Output	$35,987 43
" Wages	10,443 92	" Raw Material on hand...........	6,901 47
" Expense	2,638 09		
" Depreciation on Plant	78 82		
" Transferred to Profit and Loss Account	1,259 56		
	$42,888 90		$42,888 90

Trading Account.

To Output as above .	$35,987 53	By Sales....... . ..	$35,471 02
" Gross Profit	9,895 08	" Mfd. Goods on hand	10,411 49
	$45,882 51		$45,882 51

Profit and Loss Account.

To Distributing Expenses, Salaries, &c.	$6,269 98	By Manufacturing Profit	$1,259 56
" Net Profit.........	4,884 66	" Trading Account .	9,895 08
	$11,154 64		$11,154 64

QUESTION 22.—Take the former question and re-write the Manufacturing, Trading and Profit and Loss accounts, and show gross and net profits with manufactured stock and output correctly valued.

QUESTION 23. Trial Balance, April 30, 1901:

	Dr.	Cr.
Preference Shares		$50,000
Ordinary Shares		10,000
Debentures 5		40,000
Lands and Buildings	$20,000	
Plant and Machinery	10,000	
Stores	9,000	
Unfinished Contracts, amount expended	20,000	
Sundry Debtors	30,000	
Good-will	29,365	
Cash	125	
Purchase Ledger		13,000
General Expenses	2,500	
Cost Finished Contracts	50,000	
Finished Contracts receipts		71,000
Jno. Smith Contract Acct		5,000
Jno. Williams " "		2,800
Sundry Creditors		2,500
Rent, Rates, Taxes	500	
Petty Cash	10	
Deposit Bank, Special Acct	20,000	
Discount		200
Cash in Bank	3,000	
	$194,500	$194,500

The Inventories are supposed to equal amount charged to Stores, Plant and Machinery. The account of Jno. Smith and Jno. Williams are progress payments received on account of their contracts which are included in the item Unfinished Contracts.

From the above make out Trading Account, Profit and Loss Account and Balance Sheet.

QUESTION 24. A new company is being formed. The promoters invite subscriptions for $100,000 worth of preference stock, shares being $100 each. Applications are received for the following amounts:

A	$15,000
B	1,000
C	3,000
D	4,000
E	44,000
F	54,000
G	3,000
H	1,000

The Directors decide to allot $75,000 pro rata (as nearly as possible) among applicants for amounts exceeding $4,000, and the remainder of the issue pro rata (as nea[illegible]ssible) among all the applicants.

(*a*) Apportion these shares.

(*b*) Write up minutes of meeting.

(*c*) Rule and write up Allotment Book.

(*d*) Give form advising each applicant of result of application

QUESTION 25.—An investor asks you as Chartered Accountant to give him report of what the stock is worth in a Fire Insurance Company. All the information he can furnish you is the following:

FINANCIAL STATEMENT.

Receipts.

Premiums received		$6,141 04	
Less cancellations and returns	$363 32		
Less reinsurance	248 94		
		612 26	
			$5,528 78
Interest account			780 87
			$6,309 65

Expenditure.

Fire losses paid	$ 706 61	
Agents commissions and charges	1,219 62	
Working expenses, books, stationery, agents' supplies and sundries	4,160 88	
Balance	222 54	
		$6,309 65

Assets.

Deposit with Provincial Government	$25,000 00	
Accrued interest on above	62 50	
Cash on hand and on deposit	1,718 64	
Promotion and organization expenses to date	5,543 15	
Goads' plans and office furniture	441 55	
Agents' balances in course of collection	721 13	
		$33,486 97

Liabilities.

Capital Stock paid up	32,757 50	
Sundry accounts payable	500 93	
Balance from revenue account	222 54	
		33,480 97

Security to Policy Holders.

Subscribed capital stock not called ..	$301,242 50	
Paid up capital	32,757 50	
Balance from revenue account	222 54	
		334,222 54

Criticize the statement and make out brief report.

QUESTION 26. The by-laws of a Manufacturing Company provide that the sum of $10,000 shall be transferred to Reserve Fund annually out of profits after the payment of a 7% dividend upon Preference Stock. The financial year ended 31st December, 1900. The mill (a new one) started up on 1st July, 1900; the profits since earned (after payment of Preferred Dividend) were $12,000. What amount should be transferred to Reserve, and why?

QUESTION 27. Explain the difference, under the Ontario Companies Act, between

(a) Ordinary Stock.

(b) Cumulative preference Stock.

(c) Preference Stock.

(d) Debentures.

(e) Preferred Stock redeemable by company.

QUESTION 28. Make out Trading Account and Profit and Loss Account of Mr. Brown, Merchant, from the following Trial Balance taken 1st May, 1900:

	Dr.	Cr.
Merchandise on hand May 1, 1900	$4,000	
Purchases	24,340	
Salaries and Wages	5,000	
Freight (in)	960	
Freight (out)	503	
Rent and Taxes	2,300	
General Expenses	1,200	
Reserve for Bad Debts		$ 400
Trade Creditors		300
Bills Payable		4,300
Bank Balance	1,300	
Sales		35,180
Trade Debtors	10,500	
J. Brown, Capital Account		15,000
" Private "	2,000	
Plant, Fixtures, etc	3,000	
Cash on hand	77	
	$55,180	$55,180

See that 5% is set aside to provide for bad and doubtful debts. $63.00 paid on account of Taxes belongs to next year. Merchandise on hand is $3,000. Plant, Fixtures, etc., are valued at $2,500.

QUESTION 29.—A Joint Stock Company is formed with capital of $100,000. It is decided to accept A's offer of his business for $50,000, half payable in shares, $10,000 in cash, and the balance by note at six months without interest. B, C, D and E each subscribe for $6,000 worth of shares, paying cash for same. Record these entries in your books and show ledger accounts. Show also stock or share ledger accounts.

The item, $50,000 for A's business, can be subdivided into say six items, when entering in books.

QUESTION 30.—What features distinguish the book-keeping necessary for a partnership from that necessary for a joint stock Corporation, the nature of the business being the same?

(*a*) As to books required.

(*b*) As to method of treating accounts.

QUESTION 31. State your views of the proper relation of an auditor to

(*a*) The shareholders, (*b*) The directors of a Company. Who should appoint and pay him?

QUESTION 32. (*a*) What information does the Ontario Companies Act require to be furnished to an auditor of a company?

(*b*) Furnish a draft certificate in accordance with the requirements of the same Act.

QUESTION 33. In the audit of a Company or Corporation, as distinguished from a partnership, what special matters require attention?

QUESTION 34. An amalgamation of three companies is proposed with a capital of $3,000,000 and a reserve of $750,000. The original capital of the three companies and their respective assets is as follows:

A. Capital ..	$2,000,000.	Assets valued at		$1,750,000
B. " ..	1,000,000.	"	"	750,000
C. "	1,250,000	"	"	1,250,000

It is proposed to form the reserve by taking 20% of the reduced capital of the three companies. What would a shareholder having $1,000 worth of stock in each of the old companies get in the new company?

QUESTION 35. Three Bicycle Companies incorporated under the Ontario Companies Act are desirous of becoming amalgamated. What are the necessary steps to be taken to carry out the arrangement?

QUESTION 36. When and how may a Company, incorporated under the Ontario Companies Act, increase its Capital Stock?

QUESTION 37. What are the conditions as to subscription and payment of stock in obtaining letters patent under

(*a*) The Ontario Companies Act.

(*b*) The Dominion Companies Act.

QUESTION 38. What is "Reserve for Bad and Doubtful Debts?" Explain and give entries for dealing with

(*a*) Bad debts.

(*b*) Doubtful debts, or a provision for say a fixed percentage on Trade debts.

QUESTION 30. Design form of Trading and Profit and Loss [illegible] of a trading firm with say four branches. This can be [illegible] sheet or with schedules as may be chosen, but the result must be clearly shown. The net profit and loss of each branch is required to be shown in tabular form. [illegible] figures.

QUESTION [illegible]. The summarized Trial Balance of [illegible] Publishing Company at the close of [illegible] period is as follows:

Cash	$ 28 50	Rentals	$ [illegible]
Accts. Receivable ..	24,287 20	Accounts Payable	8,454 [illegible]
Bills Receivable......	6,452 00	Bills Discounted	[illegible] 785 00
Leasehold	[illegible] 00	Mortgages	18,000 00
Improvements to Leasehold	8,050 00	Profit and Loss	[illegible]
Fixtures, Safe, etc.	1,245 50	Capital	150,000 00
Insurance	[illegible]	Publications	[illegible]
Interest	1,147 08	Advertising	18,045 [illegible]
Salaries ..	11,180 75	Bank of Montreal	[illegible]
Paper and Ink	[illegible]		
Fuel and Light	[illegible]		
General Expense	[illegible]		
Office Stationery	[illegible]		
Advertising	[illegible]		
Printing Plant	[illegible]		
Real Estate	26,500 00		
Wages	[illegible]		
Commissions	[illegible]		
Goodwill	[illegible]		
Copyrights	[illegible]		
	$354,237 44		$354,237 44

Vouchers for individual transactions producing the foregoing ledger have been examined from month to month, and the Trial Balance as here summarized indicates mathematical accuracy. Present your views as the auditor of the Company, upon each item in the foregoing summary, indicating the possibilities of error, and the precautions you would take to assure yourself that the Balance Sheet to which you propose to attach your certificate shall be a full and fair statement of the Company's position.

QUESTION 41.—Under what circumstances might Goodwill account be properly created or increased in the accounts of a going concern? Give three instances of valuation of Goodwill, depending upon dissimilar considerations.

QUESTION 42.—A Company incorporated under the Ontario Companies Act enacts a By-law creating Preference Stock

(a) When does such a By-law become operative?

(b) What preferences can be given?

(c) Under what authority may preferred stockholders vote for or elect directors?

INDEX.

A.

B.

E

F.